REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES FORM

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Solicitation, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that contractor maintains a drug free work place.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

_X NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this Solicitation.

______ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

______ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD OR DOCUSIGN

FIRM:	U.S. Bank/Elavon
COMPLETE ADDRESS:	233 South 13th Street, Lincoln, NE 68508
TELEPHONE NUMBER:	913.484.6908
DATE:	7-28-2021
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	Greer Almquist, Vice President | Government Banking

Form A
BIDDER Proposal Point of Contact
Request for Proposal Number 6556 Z1

Form A should be completed and submitted with each response to this solicitation. This is intended to provide the State with information on the bidder's name and address, and the specific person(s) who are responsible for preparation of the bidder's response.

Preparation of Response Contact Information	
Bidder Name:	U.S. Bank/Elavon
Bidder Address:	Two Concourse Pkwy. Suite 800 Atlanta, Ga. 30328
Contact Person & Title:	Jay Johnson
E-mail Address:	Jay.johnson@elavon.com
Telephone Number (Office):	910.409.3039
Telephone Number (Cellular):	910.409.3039

Each bidder should also designate a specific contact person who will be responsible for responding to the State if any clarifications of the bidder's response should become necessary. This will also be the person who the State contacts to set up a presentation/demonstration, if required.

Communication with the State Contact Information	
Bidder Name:	U.S. Bank/Elavon
Bidder Address:	Two Concourse Pkwy. Suite 800 Atlanta, Ga. 30328
Contact Person & Title:	Jay Johnson
E-mail Address:	Jay.johnson@elavon.com
Telephone Number (Office):	910.409.3039
Telephone Number (Cellular):	910.409.3039

CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY) 07/26/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

Holder Identifier :

PRODUCER Aon Risk Services Northeast, Inc. New York NY Office One Liberty Plaza 165 Broadway, Suite 3201 New York NY 10006 USA	CONTACT NAME: PHONE (A/C. No. Ext): 8662837122 FAX (A/C. No.): 8003630105 E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A:	ACE American Insurance Company	22667
INSURER B:		
INSURER C:		
INSURER D:		
INSURER E:		
INSURER F:		

INSURED
U.S. Bancorp
EP-MN-L201
200 S. 6th Street
Minneapolis MN 55402 USA

COVERAGES **CERTIFICATE NUMBER:** 570088559949 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS,

Limits shown are as requested

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY CLAIMS-MADE / OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC OTHER:						EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	
	AUTOMOBILE LIABILITY ANY AUTO OWNED AUTOS ONLY / SCHEDULED AUTOS HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	
	UMBRELLA LIAB / OCCUR EXCESS LIAB / CLAIMS-MADE DED / RETENTION						EACH OCCURRENCE AGGREGATE	
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A					PER STATUTE / OTH-ER E.L. EACH ACCIDENT E.L. DISEASE-EA EMPLOYEE E.L. DISEASE-POLICY LIMIT	
A	Cyber Liability			EONG25602894005 Claims Made - Third Party SIR applies per policy terms & conditions	11/15/2020	11/15/2021	Aggregate Limit	$10,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Certificate No : 570088559949

CERTIFICATE HOLDER	CANCELLATION
Agency Nebraska State Purchasing Bureau Attn: Annette Walton Solicitation Number: 6556 Z1 1526 K Street, Suite 130 Lincoln NE 68508 USA	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Aon Risk Services Northeast, Inc.

ACORD® CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 07/26/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Marsh USA Inc.
333 South 7th Street, Suite 1400
Minneapolis, MN 55402-2400

CONTACT NAME: Marsh | U.S. Operations
PHONE (A/C, No, Ext): 866-966-4664 **FAX (A/C, No):** 212-948-5382
E-MAIL ADDRESS: Minneapolis.CertRequest@marsh.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Indian Harbor Insurance Company	36940
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
U.S. BANCORP AND ITS SUBSIDIARIES
200 S. 6th STREET
EP-MN-L20I
MINNEAPOLIS, MN 55402

COVERAGES **CERTIFICATE NUMBER:** CHI-009882564-01 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	COMMERCIAL GENERAL LIABILITY; CLAIMS-MADE; OCCUR; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY; PRO-JECT; LOC; OTHER:						EACH OCCURRENCE	$
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$
							GENERAL AGGREGATE	$
							PRODUCTS - COMP/OP AGG	$
								$
	AUTOMOBILE LIABILITY; ANY AUTO; OWNED AUTOS ONLY; SCHEDULED AUTOS; HIRED AUTOS ONLY; NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB; OCCUR; EXCESS LIAB; CLAIMS-MADE; DED; RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N; ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N; **(Mandatory in NH)**; If yes, describe under DESCRIPTION OF OPERATIONS below	N / A					PER STATUTE / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	ERRORS & OMISSIONS			US00103616BL20F	11/15/2020	11/15/2021	Aggregate Limit:	10,000,000
A	FI BOND (CRIME)			US00103616BL20G	11/15/2020	11/15/2021	Aggregate Limit:	10,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

Agency Nebraska State Purchasing Bureau
Attn: Annette Walton /Solicitation Number: 6556 Z1 / Contract # XXXXX O4
1526 K Street, Suite 130
Lincoln, NE 68508

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Marsh USA Inc.

CERTIFICATE OF LIABILITY INSURANCE

ACORD®

DATE (MM/DD/YYYY): 07/23/2021

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 1-612-333-3323 Hays Companies 80 South 8th Street Suite 700 Minneapolis, MN 55402	CONTACT NAME: Dawn Heinemann and Melody Kronbach PHONE (A/C, No, Ext): 612-333-3323 FAX (A/C, No): 612-373-7270 E-MAIL ADDRESS: dheinemann@hayscompanies.com
INSURED U.S. Bancorp and its Subsidiaries 200 South 6th Street EP-MN-L20I Minneapolis, MN 55402	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : OLD REPUBLIC INS CO	24147
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** 62756167 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC OTHER:	X		MWZY31397921	08/01/21	08/01/22	EACH OCCURRENCE	$ 5,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ EXCLUDED
							PERSONAL & ADV INJURY	$ 5,000,000
							GENERAL AGGREGATE	$ 6,000,000
							PRODUCTS - COMP/OP AGG	$ 6,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO OWNED AUTOS ONLY / SCHEDULED AUTOS HIRED AUTOS ONLY / NON-OWNED AUTOS ONLY			MWTB31397721	08/01/21	08/01/22	COMBINED SINGLE LIMIT (Ea accident)	$ 250,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A	X	MWC31397621	08/01/21	08/01/22	X PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	$ 2,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 2,000,000
							E.L. DISEASE - POLICY LIMIT	$ 2,000,000
A	Excess Automobile Liab.			MWZX31398121	08/01/21	08/01/22	LIMIT	4,750,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

RE: RFP.
The State and others required by the contract documents are additional insured on a primary and non-contributory basis as respects general liability policy where required by written contract subject to the policy terms and conditions.
Waiver of subrogation applies in favor of the additional insureds as respects Workers' Compensation as required by written contract subject to the policy terms and conditions.

CERTIFICATE HOLDER	CANCELLATION
RFP Agency Nebraska State Purchasing Bureau 1526 K Street Suite 130 Lincoln, NE 68508 USA	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

MMalibiran
62756167

Office of the Comptroller of the Currency

Washington, DC 20219

CERTIFICATE OF CORPORATE EXISTENCE

I, Michael J. Hsu, Acting Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq, as amended, and 12 USC 1, et seq, as amended, has possession, custody, and control of all records pertaining to the chartering, regulation, and supervision of all national banking associations.

2. U.S. Bank National Association, Cincinnati, Ohio (Charter No. 24), is a national banking association formed under the laws of the United States and is authorized thereunder to transact the business of banking on the date of this certificate.

IN TESTIMONY WHEREOF, today, June 7, 2021, I have hereunto subscribed my name and caused my seal of office to be affixed to these presents at the U.S. Department of the Treasury, in the City of Washington, District of Columbia

Acting Comptroller of the Currency

2021-00763-C

FHLB CINCINNATI

Issue Date:	October 1, 2020	LOC No.: 552058

Beneficiary: State Treasurer of Nebraska
P.O. Box 94788
Lincoln, NE 68509-0000

Ladies and Gentlemen:

For the account of U.S. Bank National Association, CINCINNATI, OH, we hereby authorize you to draw on us at sight up to an amount of $50,000,000.00.

This letter of credit is irrevocable, unconditional and nontransferable.

Drafts drawn under this letter of credit must be accompanied by the original letter of credit and be presented in substantially the form attached as Exhibit A, at the office identified below by an authorized officer of the beneficiary no later than 2:00 P.M., Cincinnati time, on Friday, October 01, 2021.

This letter of credit sets forth in full the terms of our obligations to you, and such undertaking shall not in any way be modified or amplified by any agreement in which this letter is referred to or to which this letter of credit relates, and any such reference shall not be deemed to incorporate herein by reference any agreement.

We engage with you that multiple drafts drawn under and in compliance with the terms of this letter of credit will be duly honored at the Credit Department of the Federal Home Loan Bank of Cincinnati, 221 East Fourth Street, Cincinnati, Ohio 45202.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication 600.

Sincerely,

Jeff Berryman
Vice President

Lisa Wishart
Assistant Vice President

c: Patricia Finnemore
U.S. Bank National Association

FHLB CINCINNATI

Issue Date: October 1, 2020 LOC No.: 552059

Beneficiary: State Treasurer of Nebraska
P.O. Box 94788
Lincoln, NE 68509-0000

Ladies and Gentlemen:

For the account of U.S. Bank National Association, CINCINNATI, OH, we hereby authorize you to draw on us at sight up to an amount of $9,000,000.00.

This letter of credit is irrevocable, unconditional and nontransferable.

Drafts drawn under this letter of credit must be accompanied by the original letter of credit and be presented in substantially the form attached as Exhibit A, at the office identified below by an authorized officer of the beneficiary no later than 2:00 P.M., Cincinnati time, on Friday, October 01, 2021.

This letter of credit sets forth in full the terms of our obligations to you, and such undertaking shall not in any way be modified or amplified by any agreement in which this letter is referred to or to which this letter of credit relates, and any such reference shall not be deemed to incorporate herein by reference any agreement.

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This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 Revision), International Chamber of Commerce Publication 600.

Sincerely,

Jeff Berryman
Vice President

Lisa Wishart
Assistant Vice President

c: Patricia Finnemore
U.S. Bank National Association

Schedule A

"State of Nebraska"
"08/10/21"

Visa/MasterCard/Discover/American Express Fees	
Interchange Card Level	PASS THROUGH
Card Brand Members' Dues and Assessments	PASS THROUGH
Other Fees	
VISA/MasterCard/Discover/American Express Processing Fee	$0.03 per transaction
Online (PIN) Debit Fee	Network Interchange/Switch Fees + $0.03
Foreign Network (other than Elavon), if applicable	Varies
Voice Authorization Fee	None
Adhoc Custom Report Fee	None
Online Case Management Setup and Monthly Fee	None
PC365 Daily Reconciliation File Fee	None
Training & Technical Support (On-site and Telephone)	None
Chargeback Fee	$5 per occurrence
Paper Statement Fee	None
Fusebox Gateway/Connectivity Fee, if applicable	$0.04 per transaction
Fusebox Safe-T Service Encryption/Tokenization, if applicable	$0.02 per transaction
Fusebox Monthly Support Fee, if applicable	$100 per location
Converge Monthly Fee, if applicable	$10 per MID
Converge Item Fee, if applicable	$0.05 per transaction
Safe-T Solo*	$25 per month
Equipment EMV/NFC Terminals-Peripherals	
Ingenico Desk 3500 Terminal-Printer	$270 Purchase
Ingenico Desk 5000 Terminal-Printer	$431 Purchase
Ingenico ipp 315 Pin Pad	$260 Purchase
Ingenico Move 5000 4G Terminal-Printer (cellular connection only)	$656 Purchase
Ingenico Move 5000 with 4G and full communication base package	$899 Purchase
Ingenico Move 5000 Bluetooth Terminal-Printer (BT/Wifi w/base)	$569 Purchase
Fusebox/Simplify Lane 3000 Micros/Oracle bundle with comm box	$824 Purchase
Wireless Monthly Fee	$19.99 per device
SIM Card for Wireless Terminal	$20 per device
Poynt 3G Terminal	$1,099 Purchase plus data plan/Safe-T
Poynt P2PE Monthly Safe-T Fee	$25 per device
Poynt 5 Terminal	$899 Purchase plus data plan/Safe-T
Equipment Options-Software	
Converge License Fee, Mobile/Terminal/Web (Unlimited MIDs/Users)	Waived
Converge Ingenico Link 2500 EMV-NFC Reader	$189 Purchase
Converge ipp320v4 Pin Pad	$260 Purchase
Epson ReadyPrint T20 Printer	$230 Purchase
RDM-9111f, Check Imager	$463 Purchase
Equipment Options-Converge Mobile	
Converge ICMP EMV-NFC Reader w/ PIN Pad	$175 purchase
Ingenico 457C EMV Card Reader	$89 purchase
Star SM-220 Bluetooth Printer	$390 purchase
Star SM-300 Bluetooth Printer	$403 purchase
Reporting Tool Options	
Web reporting tool (Payment Insider)	None
Web Reporting Tool (MC Premium 1-5 Users)	None

Schedule A

American Express, Discover, MasterCard and Visa Interchange, and Assessments, pricing are dependent upon interchange and other fees imposed on all Card Brand Members. Elavon will pass through increases or decreases of these fees imposed by the Association members upon written notice.

The Card Brand Members offer over 300+ cards that may be presented for payment; the latest Interchange and Assessment spreadsheet for the each card type is provided in another document.

Pricing Provisions:

1. Pricing implies that all hardware and software is certified to Elavon payment platform network. If another Payment Provider Network (PPN) is necessary to authorize and settle transactions; we will pass through any additional fees. Fees vary by specific "PPN".
2. U.S. Bank will provide next day funds availability for Amex, Discover, and MasterCard and Visa transactions provided the settlement is received by 10:00 PM EST, and the funds are deposited into a U. S. Bank checking account.

Additional Comments

*Available on the following devices: Ingenico Desk 3500, Ingenico Desk 5000 and the Ingenico Move 5000. The Poynt solutions are automatically built with the Safe-T application. The Safe-T Solo package offers EMV, Encryption, Tokenization, reduced PCI Scope to SAQ P2PE (approximately 10 questions vs 38) and enrollment with our Qualified Security Assessor (OSA), Sysnet. In addition, Data Breach coverage up to 250K per relationship.

Elavon supports "service fee" on the Ingenico Desk 3500, Desk 5000 and Move 5000 free-standing devices and on the Fusebox gateway in a face-to-face environment, and on our Converge online platform in an e-commerce environment.

Elavon works hard to meet the needs of our customers and will offer cutting-edge hardware and innovative software throughout the term of the contract. We recommend adding additional approved equipment options annually, as new versions become available from the manufacturers, replacing older, outdated devices. We want to ensure you have the most technologically advanced and secure processing options available in the marketplace.

2020

ANNUAL REPORT

usbancorp.

We’re there, from anywhere

Fellow shareholders:

Andy Cecere
Chairman, President and Chief Executive Officer

For the past several years, we focused our time and attention on addressing the opportunities and challenges created by the unprecedented pace of change and disruption occurring in our industry. Changing consumer behaviors, expectations and preferences caused us to rethink everything we do. New and evolving competition prompted us to pursue partnerships and drive for growth and scale with renewed urgency. What's more, the need to integrate advancing technology, build relationships, and empower our culture to continue to meet the wants and needs of customers pushed us to be more agile and innovative.

As a result, we are more digitally enabled, resilient and focused than ever before.

That groundwork was essential as we entered 2020, which was a year unlike any other. It began with words like "opportunity" and "momentum." We were focused on executing a solid, well-constructed plan and continuing to deliver on our longstanding tradition of excellence. We had all the right elements to succeed: dedicated leaders, a capable team, a strong culture, loyal customers, diverse businesses, and a solid financial foundation.

That foundation enabled us to continue to execute on our long-term strategy even as the words "unprecedented" and "uncertain times" entered the mainstream. A global pandemic turned economic tailwinds into headwinds. Starting in the second quarter of the year, gross domestic product collapsed at an historic rate and partially rebounded, unemployment rose, consumer spending dropped significantly, and the industry booked near-record loan-loss provisions.

The value of our diversified business model was evident during this time. We reported record revenues in 2020 despite a challenging interest rate environment that pressured net interest income, and even though we saw a significant drop in consumer spending activity. Similarly, although our payments business was affected by reduced consumer spending in some of the hardest-hit categories like airlines, travel and hospitality, we had exceptionally strong results in mortgage banking and commercial products to help offset the impact.

We are proud of our response to the pandemic and the related economic situation. We kept people healthy and safe while managing our business well, and we helped our customers navigate the pandemic by providing access to capital, assisting them as they secured Paycheck Protection Program (PPP) loans or modifying loan terms. We developed new muscle around being flexible, adaptable and agile – and the way we were able to approach this moment in history says a lot about our company, our culture and our team. We emerged stronger together, and I am grateful to our employees for their flexibility and resilience.

This past year also brought about a recommitment to diversity, equity and inclusion, as the call for a renewed focus on social justice hit home in Minneapolis, our headquarters market. The tragic death of George Floyd and the civil unrest that followed changed the conversation. In the weeks after these events, we made multimillion dollar commitments to address economic and racial inequities, pledged to double our partnerships with Black-owned suppliers in 12 months, and announced our intention to not only remain in the communities that were hardest hit by the unrest but to rebuild in areas where our branches were damaged or destroyed. We also stepped up our efforts internally to attract, retain and promote people of color to leadership roles, increase awareness of racial issues, and encourage community involvement in measurable ways. Addressing these challenging issues will take every one of us, and we are invested in that shared future.

It is safe to say that expectations have changed, whether they are focused on corporate social responsibility or how people want to do business with the companies with whom they interact.

The good news is we are ready. The steps we took during the past three years positioned us well for what became inevitable as economies shut down. Our digital capabilities enabled us to convert face-to-face interactions to online

2021 WORLD'S MOST ETHICAL COMPANIES®™
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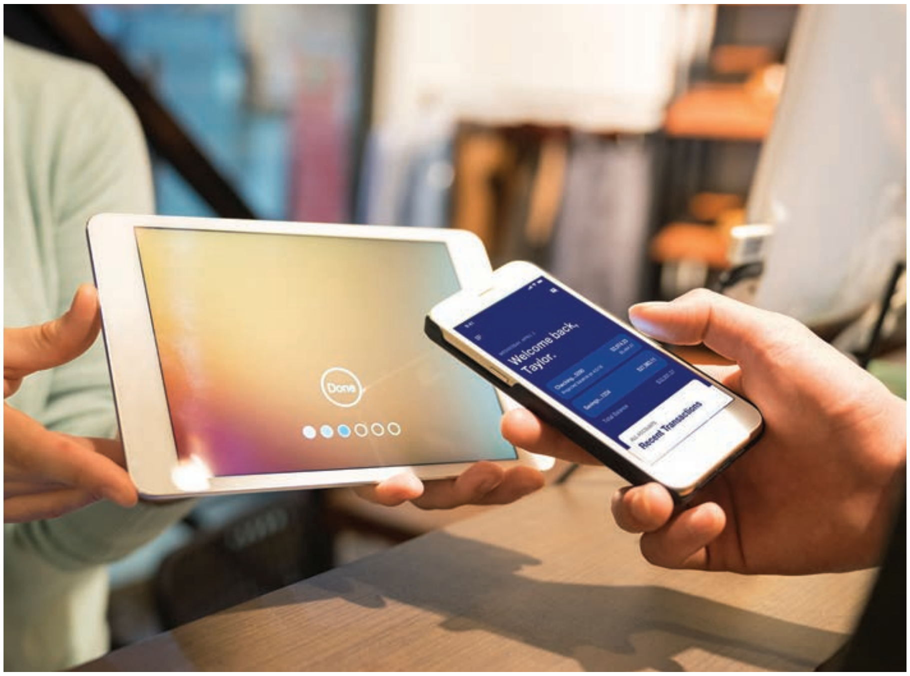
or virtual ones. Our workplace collaboration efforts allowed us to maintain business continuity. Our money movement solutions met the need as cash transactions slowed. Our agile transformation made it possible for us to develop just-in-time products and services that would have taken years to develop before.

In fact, approximately three-quarters of our customers are digitally active across our mobile and online channels today. About 56 percent of our loan sales and roughly 77 percent of our transactions now take place in a digital way. We believe our opportunity lies in the successful combination of people and technology to serve our customers. The changes we are making within our branch network reflect this reality. We still see considerable traffic in our branches, proving they are important – however, the future branch will have a different footprint and more of an emphasis on advice and counsel.

Moving forward, we will continue to invest in our digital platforms, offering customers do-it-yourself (DIY) and do-it-together (DIT) solutions to meet their needs. We will continue to leverage our payments ecosystem, and we will deliver products and services with a focus on the unique needs of individual customer segments. We will emphasize speed, convenience and simplicity, and we will responsibly leverage data and analytics to be able to be there in the moments that matter most for our customers. Our focus is on meeting them when, where and how they want, which enables us to create value and drive sustainable growth.



We anticipate many of the changes we have seen as a result of the pandemic and upheaval of 2020 will continue as a new normal. We expect work will look different. There will be more industry disruption. Banking will be accessed in more customer-driven ways through the channels customers prefer, and digital will be more important. Relationships will be core to success, and the companies who thrive will be the ones – like us – that move quickly, strategically and responsibly toward the future.

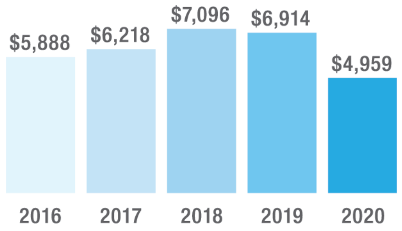
Although the year brought uncertainty and change, we are proud of our efforts and believe we are on a course for an even stronger future. We remain a World's Most Ethical Company and one of the highest-rated banks in the world. Our balance sheet is healthy and strong, and our leaders are dedicated to helping our customers succeed, today and in the years to come.

Of course, all of this is possible because of our employees – who are second to none in their commitment, dedication and professionalism. To all my fellow U.S. Bankers, I say, simply: "Thanks for all you do."

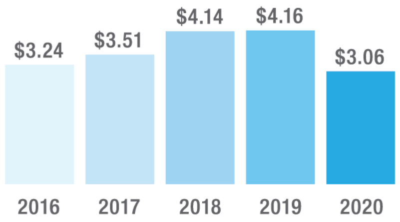
Andy Cecere
Chairman, President and
Chief Executive Officer,
U.S. Bancorp
February 23, 2021

Financial highlights

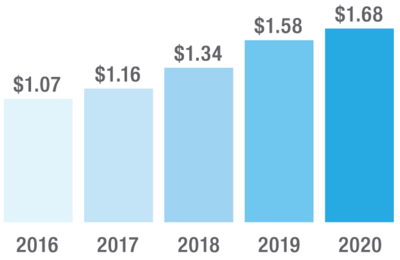
Net Income Attributable to U.S. Bancorp (in millions)



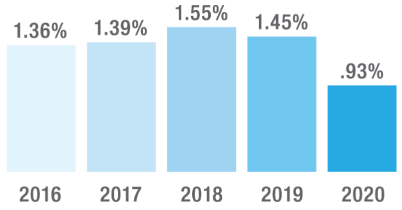
Diluted Earnings per Common Share



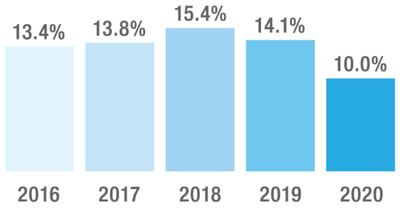
Dividends Declared per Common Share



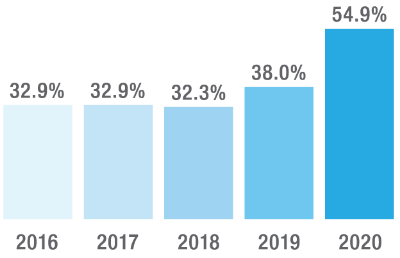
Return on Average Assets



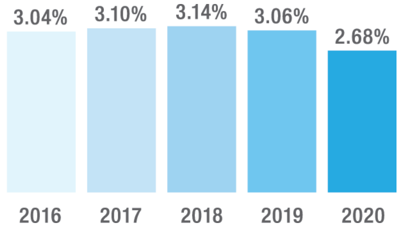
Return on Average Common Equity



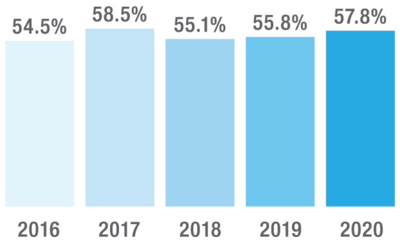
Dividend Payout Ratio



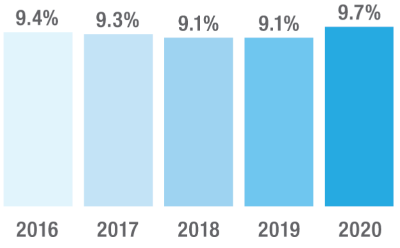
Net Interest Margin [(a)]



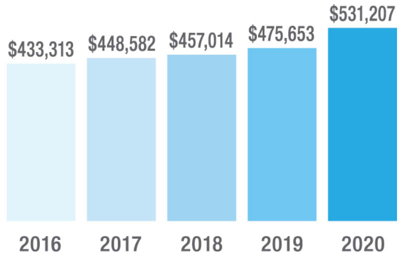
Efficiency Ratio [(b)]



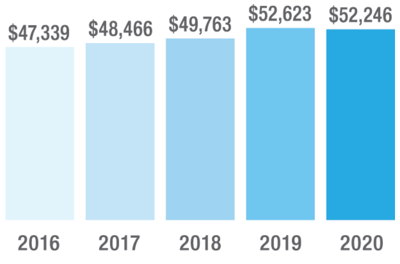
Common Equity Tier 1 Capital [(c)]



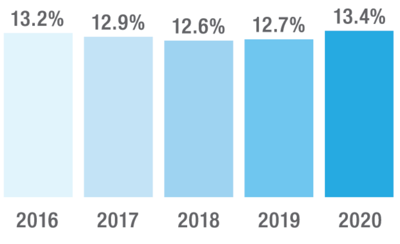
Average Assets (in millions)



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 2020, 2019 and 2018 and 35 percent for 2017 and 2016, 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 64.

(c) Calculated under the Basel III standardized approach.

Financial summary

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2020	2019	2018	2020 v 2019	2019 v 2018
Net interest income	$12,825	$13,052	$12,919	(1.7)%	1.0%
Taxable-equivalent adjustment[(a)]	99	103	116	(3.9)	(11.2)
Net interest income (taxable-equivalent basis)[(b)]	12,924	13,155	13,035	(1.8)	.9
Noninterest income	10,401	9,831	9,602	5.8	2.4
Total net revenue	23,325	22,986	22,637	1.5	1.5
Noninterest expense	13,369	12,785	12,464	4.6	2.6
Provision for credit losses	3,806	1,504	1,379	153.1	9.1
Income taxes and taxable-equivalent adjustment	1,165	1,751	1,670	(33.5)	4.9
Net income	4,985	6,946	7,124	(28.2)	(2.5)
Net (income) loss attributable to noncontrolling interests	(26)	(32)	(28)	18.8	(14.3)
Net income attributable to U.S. Bancorp	$4,959	$6,914	$7,096	(28.3)	(2.6)
Net income applicable to U.S. Bancorp common shareholders	$4,621	$6,583	$6,784	(29.8)	(3.0)
Per Common Share					
Earnings per share	$3.06	$4.16	$4.15	(26.4)%	.2%
Diluted earnings per share	3.06	4.16	4.14	(26.4)	.5
Dividends declared per share	1.68	1.58	1.34	6.3	17.9
Book value per share[(c)]	31.26	29.90	28.01	4.5	6.7
Market value per share	46.59	59.29	45.70	(21.4)	29.7
Average common shares outstanding	1,509	1,581	1,634	(4.6)	(3.2)
Average diluted common shares outstanding	1,510	1,583	1,638	(4.6)	(3.4)
Financial Ratios					
Return on average assets	.93%	1.45%	1.55%		
Return on average common equity	10.0	14.1	15.4		
Net interest margin (taxable-equivalent basis)[(a)]	2.68	3.06	3.14		
Efficiency ratio[(b)]	57.8	55.8	55.1		
Average Balances					
Loans	$307,269	$290,686	$280,701	5.7%	3.6%
Investment securities[(d)]	125,954	117,150	113,940	7.5	2.8
Earning assets	481,402	430,537	415,067	11.8	3.7
Assets	531,207	475,653	457,014	11.7	4.1
Deposits	398,615	346,812	333,462	14.9	4.0
Total U.S. Bancorp shareholders' equity	52,246	52,623	49,763	(.7)	5.7
Period End Balances					
Loans	$297,707	$296,102	$286,810	.5%	3.2%
Allowance for credit losses	8,010	4,491	4,441	78.4	1.1
Investment securities	136,840	122,613	112,165	11.6	9.3
Assets	553,905	495,426	467,374	11.8	6.0
Deposits	429,770	361,916	345,475	18.7	4.8
Total U.S. Bancorp shareholders' equity	53,095	51,853	51,029	2.4	1.6
Capital Ratios					
Common equity tier 1 capital	9.7%	9.1%	9.1%		
Tier 1 capital	11.3	10.7	10.7		
Total risk-based capital	13.4	12.7	12.6		
Leverage	8.3	8.8	9.0		
Total leverage exposure	7.3	7.0	7.2		
Tangible common equity to tangible assets[(b)]	6.9	7.5	7.8		
Tangible common equity to risk-weighted assets[(b)]	9.5	9.3	9.4		
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the current expected credit losses methodology[(b)]	9.3				

(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 64.

(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.

Always there

Late in 2020, "pandemic" was declared a word of the year. It was a fitting choice as COVID-19 disrupted everything from how we behaved to how we worked to how we interacted with each other. At U.S. Bank, the pandemic required us to answer new questions, the biggest being: How can we help our customers navigate these times?

Can we help a business access a line of credit? Can we help someone get access to their stimulus money? Can we help the small businesses in our communities access a PPP loan? Can we modify a mortgage or provide investment counsel? Could we do all of this, while providing safe environments and more contactless payment capabilities for our customers and employees? Over and over again, the answer was an unquestionable "Yes."

108K

We helped obtain Paycheck Protection Program loans for more than 108,000 small businesses.

Helping each other and our communities

In addition to working her normal hours on the retail payments team in Idaho, U.S. Bank employee, Dusti Bacon, volunteered **nearly 2,000 hours** last year sewing and donating **more than 7,900 masks**.

As the dust settles from a challenging 2020, we remember the tenacity and flexibility of our employees and how they put our customers first. They did it while wearing masks, social distancing, and juggling work and home life.

We demonstrated once again that we can retain what has always made us strong – our unique business mix, risk management and culture – while also accelerating the pace of change, growing at scale, and most importantly, always being there for our customers.

The resolve of our employees is what powers us. It also propels us forward, allowing us to help customers, build communities, engage employees and deliver value to our shareholders even in a challenging environment.

Reliable

The way our teams showed up every day didn't go unnoticed. Consumers interviewed by The Harris Poll ranked us as America's **most essential bank** during COVID-19. The Ethisphere® Institute named us to the list of World's Most Ethical Companies® for the seventh consecutive year.

We have long said that we manage for both the short- and the long-term and that U.S. Bank is built to weather the harsh conditions. That was clear both through COVID-19 and as evidenced in **annual federal stress test** simulations. Our financial results reflected a smart and diverse business mix that produced returns in ideal and unfavorable conditions.

Flexible

At the onset of the pandemic, **we stood ready to help**. We quickly mobilized and pivoted to support our customers and clients.

We introduced several changes to allow forbearance or other payment relief as well as pricing flexibility on our products and services to make them more affordable and accessible to customers experiencing financial stress. We also expanded existing hardship assistance programs, while making them more accessible through the ability to request assistance online as well as by phone.

Once the federal government launched the Paycheck Protection Program, our teams worked round-the-clock to help long-standing and new customers get access to crucial funds. All told, we helped more than 108,000 small businesses obtain $7.5 billion in loans, meaning thousands of their employees avoided the loss of paychecks. We also helped a record number of customers refinance their mortgages or become homeowners for the first time.

We were also there for corporate and commercial clients when they needed us most and saw record volumes and market share gains throughout our Fixed Income and Capital Markets businesses. And we provided research, timely insights and other educational resources to help keep our clients' wealth management plans on track.

77%

By the end of 2020, more than 77% of all consumer transactions were completed digitally.

Innovative

When the pandemic began, many of us changed how much we left the house. Fortunately, our investments in digital during the past few years put us in a strong position to help customers bank from home. Virtually overnight, customers shifted their behavior and took advantage of our digital tools at an expedited rate. These investments in our mobile app, digital capabilities and Agile development teams were critical to our COVID-19 response.

By the end of 2020, more than 77% of transactions and more than half of loan applications were completed digitally. In addition, our Paycheck Protection Program digital application was built from an existing all-digital small business lending platform.

Our mobile app, which was ranked **No. 1 in customer service features by Business Insider Intelligence**, is more than just a transaction tool. By year-end, we provided more than 1.6 billion financial insights to U.S. Bank Mobile App users.

For more complicated banking transactions and for customers who wanted assistance in accessing our digital tools, we created and launched Do It Together experiences, where a banker and customer can work together while not being physically in the same place.

Although many activities moved digitally – including our virtual shareholder meeting and our summer internship program – banking remains an essential business that requires some in-person activity. We value these customer experiences, and we moved swiftly to make in-person banking safer by relying on drive-thru lanes for many transactions and by adding personal protection equipment to our facilities. We recognized the efforts of our front-line and office critical employees and provided them with pay incentives during the year.

New features added to the U.S. Bank Mobile App include:

- Bank by voice
- Appointment setting
- More personalized insights

There for everyone

U.S. Bank customer Houston White at work in his barbershop, HWMR.

"We do the right thing" leads our core values. The culture we built and nurture is the reason we were able to successfully navigate the events of 2020 and emerge even stronger.

Our strength affords us the courage to be uncomfortable and examine areas where we can grow and implement meaningful change.

“We have to create opportunities that bridge gaps, that generate economic prosperity, and that allow people to achieve their potential.”

Pride and inclusion

With more than **100 million** transactions, our LGBTQ+ community-inspired debit card design is a symbol of pride and support for more than **250,000 customers**.

The Contactless Symbol and Contactless Indicator are trademarks owned and used with the permission of EMVCo, LLC.

Diversity, equity and inclusion

When George Floyd was killed in police custody last May, just four miles from our Minneapolis headquarters, it sparked worldwide civil unrest and a call for lasting change. The weeks and months that followed further inspired organizations and people to take a hard look at solving systemic economic and racial inequities.

Our response was actionable and came directly from our CEO: “If we are truly going to draw strength from diversity, we have to do better. We have to create opportunities that bridge gaps, that generate economic prosperity, and that allow people to achieve their potential.”

Long ago, we committed to making our company more diverse, equitable and inclusive. We’ve since taken a stand and expanded our efforts.

A sample of our 2020 action includes:

- We continued to actively work to expand supplier diversity, recruitment and leadership development programs and were recognized on several diversity lists for this work including **Top 50 Companies for Diversity**.
- We committed to doubling Black suppliers and allocated $100 million in annual capital and $16 million in grants to **support Black-owned or -led businesses**, housing and workforce advancement.
- Our **chief diversity officer** moved onto the managing committee, joining our most senior leaders reporting to our CEO.

Inclusive banking

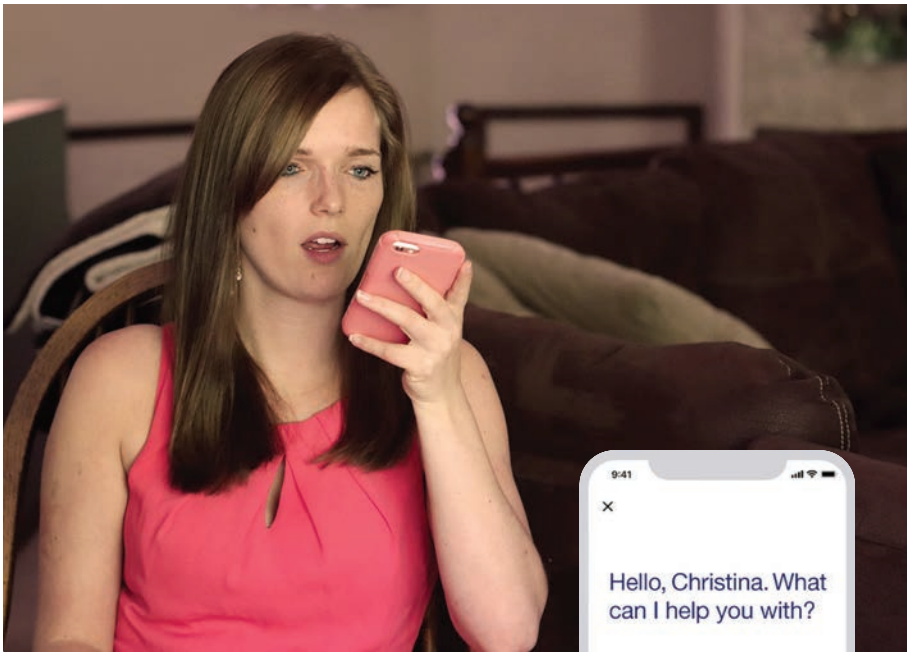
Access to banking remains a key priority for us. Whether assisting people with visual impairments or finding solutions for underserved groups, we're making banking all inclusive.

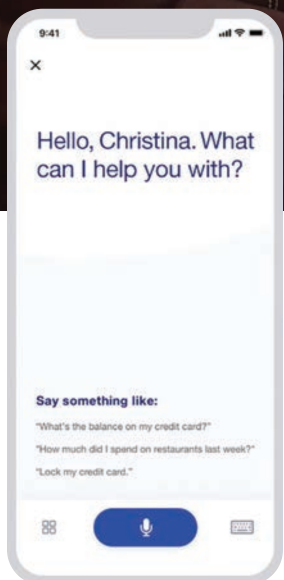
The **U.S. Bank Smart Assistant** – voice technology in the U.S. Bank Mobile App that creates an experience akin to an interaction with a banker – was created and shaped with the help of vision-impaired users. Great care was also taken to minimize cognitive burden by using common language. El Asistente Inteligente de U.S. Bank pronto estará disponible en español.

As we make **financial education** more accessible, we also seek to better understand the relationships between money and specific demographics. In our commissioned **U.S. Bank Women and Wealth Insights Study**, we learned more about how we can help women harness their power and influence to close the gender wealth gap. A similar study about building Black wealth launched earlier this year and will help us gain more necessary knowledge to help close the racial wealth gap that exists in this country.

TOP 50

DiversityInc named us to their Top 50 Companies for Diversity.





U.S. Bank employee and accessibility consultant Christina Granquist, who is blind herself, helped design the new voice assistant in our mobile app.

There for our customers

After the civil unrest damaged a branch in Minneapolis over the summer, we set up the U.S. Bank Mobile Banking Unit to ensure customers had uninterrupted access to banking services.

$10.7 B

We've financed $10.7 billion in solar projects through our Community Development Corporation.

Learn more about our ESG commitment

To learn more, please read our Environmental, Social and Governance (ESG) Report, where we connect long-term value creation to our company's core values at **usbank.com/ESG2020**.

Sustainability practices

We believe that being good stewards of the environment is integral to both the success of our business and our collective future.

During the past decade, we worked diligently to reduce our operational greenhouse gas emissions through investments in advancing solar energy, partnerships with local utilities to purchase renewable energy, and improving the energy efficiency of our buildings.

A sample of our work in 2020 includes:

- We are proud to have reached our first greenhouse gas emissions reduction target 10 years ahead of schedule.
- We were named to the **CDP A List for tackling climate change**. Only 5% of global companies assessed earned this grade.
- Through our Community Development Corporation, we've financed **$10.7 billion in solar projects** – that's more than 15% of all solar investment in the United States – since 2011.
- We're encouraging shareholders to opt in to electronic delivery of the Annual Report and Proxy. Visit **http://enroll.icsdelivery.com/usb** to opt in.

Future focused

What will banking look like in 25, 10 or even two years? The only thing we know with certainty is that people and the movement of money will be involved. Beyond that, our goal is to be there for our customers.

Investments and optimization

To be there for our customers means imagining and creating the banking experiences they may not yet even know they want. As we think about the branch of the future – which we're well on our way to achieving – we're tailoring physical locations based on customer behavior. That means optimizing an in-person experience that is more about financial conversations and strategy than transactions.

Whether a customer chooses to bank in person, digitally or a combination of both, we're thoughtful in how best to create a personalized experience for our customers to bank where, when and how they want. We know this combination of our people and digital tools sets us apart and is a key to our future success.

"Relationships will be the core to success, and the companies who thrive will be the ones – like us – that move quickly, strategically and responsibly toward the future."

Andy Cecere
Chairman, President
and Chief Executive Officer

Good neighbors – and good partners

In a strategic alliance that extends our customer reach, **we paired with State Farm** to bring our deposit products and co-branded credit cards to their customers.

Newer, better, faster

We continued to grow our business by bringing to market technology and solutions to help our customers bank when, where and how they want and then adjust as their preferences change.

- To grow our payments business in Europe, we acquired **digital payment provider Opayo®**.
- For our supply chain customers, we launched new tools including **Quick Pay and Cash Manager**.
- Our business customers now have clearer visibility into how their complex treasury implementations progress with our **award-winning Onboarding Tracker**.
- The **U.S. Bank Instant Card™** provides a solution for companies so employees without a corporate credit card can make business purchases.
- Businesses managing cash flow benefit from the speed and availability from our **Everyday Funding** service.
- Customers started earning credit card rewards on emerging categories like food delivery and streaming with our new **Altitude® Go** card, and we made it easier to apply for new cards with **Text-to-Apply**.
- The **U.S. Bank Global Currency Management solution** launched, offering institutional investors a highly automated and scalable solution for optimizing currency management.
- We built out our environmental, social and governance (ESG) capabilities for both issuer and investor clients with a full range of advisory and financing options.
- Our new **VantagePoint™ Accounts Receivable Matching** creates efficiency for businesses by automatically pairing an incoming payment with an existing invoice.

Early adoption

We continue to adopt new technologies in banking. We invested in the new Akoya Data Access Network and became the **first bank to integrate** with the company, giving our customers a more secure way to link their data with their favorite third-party apps, as well as more control over their data.

We have a history of firsts in financial services. We were the first to sign on with Zelle® and the first to integrate with all three digital assistants as well as enable Apple Pay®, Google Pay™ and Samsung Pay®. We're able to be first because we know our success in the future all begins today.

9X

In 2020, customers engaged with us digitally nine times more than in person.

Reusability

An emphasis on reusable technology is core to our strategy. When we create platforms and tools with reusability in mind, we're able to provide a consistent experience for customers and exponentially save on time and money.

The fruits of this forward thinking allow us to respond to a competitive marketplace quickly and lead in times of change – to get new features into customers' hands faster.

We have a team solely tasked to find ways to repurpose technology and they are already delivering impressive results:

Cloud Apply

As a bank, application forms are necessary. For consumers, they can be tedious. We overhauled our consumer checking application process to dramatically reduce the number of fields and make them simpler. This yielded a nearly 200% increase year-over-year in account openings, and we will be scaling this reusable technology across the organization.

ReliaCard® App

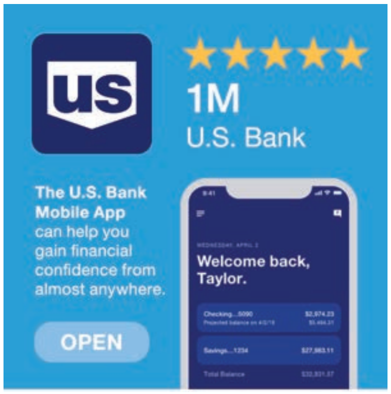
We launched a new prepaid mobile app by repurposing the U.S. Bank Mobile App components – saving both cost and valuable time to deliver a powerful tool that more than a dozen states use to disburse unemployment assistance funds.

Pivot™ App

We launched our new Pivot App which provides comprehensive data, files and reports for Investment Services clients on the go – built in-house and released in just three months by re-using the U.S. Bank Mobile App platform.

Online banking

We released our reimagined online banking experience, which takes the best of the mobile app and brings it to the web interface.



Our 5-star app

The U.S. Bank Mobile App has been rated 5 out of 5 stars by over **one million users**.

Zelle is a registered trademark of Early Warning Services, LLC. Apple, Siri and Apple Pay are registered trademarks of Apple Inc. Google, Google Pay and Google Home are trademarks of Google LLC. Samsung Pay is a registered trademark of Samsung Electronics Co., Ltd.

Environmental, social, governance

This year we are pleased to release our first annual Environmental, Social and Governance (ESG) Report. Throughout the report, we connect long-term value creation to our company's core values as we address the business risks and opportunities presented by key environmental, social and governance issues. The report focuses on five ESG topics:

Ethics and business conduct

Every business decision we make begins and ends with our commitment to ethics, to doing the right thing. Ethical behavior is at the core of our culture. We know we need to work at it daily, in both big and small ways. At a time when our industry is experiencing rapid change and managing unprecedented challenges, our commitment to ethics is a powerful constant in our culture and is continually reinforced from the very top of our company.

Data protection and privacy

By appropriately safeguarding data, we head off threats to information security and respect our customers' privacy rights. We are committed to protecting the confidentiality, integrity, availability and privacy of customer data. Through clear and easily accessible policies, we tell our customers and online visitors why we collect information from them, how we will use it, and with whom we will share it. We also provide ongoing education and training to our employees and partners to ensure there are clear expectations on implementing and maintaining security and privacy technology and processes that protect our customers.

Workforce of the future

We can't meet the needs of our customers unless we first meet the needs of our employees and provide them with the tools, resources and support they need to do their best work. A diverse, equitable and inclusive workplace that effectively builds talent is essential to our long-term success. With nearly 70,000 employees in the United States and abroad, we recognize that talent is our greatest asset and the key to our future success. We are constantly investing to develop a diverse, skilled and engaged workforce that will support our growth.

Financial well-being and inclusion

We seek to strengthen our communities by improving the financial well-being of our customers and expanding access to the financial services that power potential. Improving the financial well-being of our customers, communities and employees is core to the work we do and an investment in our collective future. Through programs and products that expand access to financial education and services, we help build a path toward increased financial security for our customers and communities.

Climate change impact

We are working to stay ahead of the risks climate change poses to our business through sound strategy and risk management, while we also help our customers seize the opportunities of a green economy. We have always believed that running our business in an environmentally sustainable manner is an important component of corporate responsibility. As society's understanding of the wide-ranging impacts of climate change has evolved, however, so too has our understanding of the effects a changing climate can have on our business. We have taken steps to enhance how we assess the financial and reputational risks climate change poses to our company, and we have also begun to focus more on opportunities presented by a changing economy.

Read the full report at: usbank.com/ESG2020

Community investments

At U.S. Bank, we proudly invest in our community. Our 2020 investments include:

275,000
financial education modules

$1.9B
in Small Business Administration loans

$6.2B
loaned and invested to revitalize communities (including PPP loans)

$67M
in corporate contributions and foundation giving

$30M
to support COVID-19 relief and recovery efforts

80%
approximate number of PPP loans to businesses with <10 employees

$39.7B
invested in environmentally beneficial business since 2008

$50M
in capital to CDFIs for Small Business Administration PPP funding

$116M
in annual, incremental investments to address racial and economic inequities

$171M
in American Dream Home loans

$12M
donated through our employee giving campaign

$560M+
in diverse supplier spending

Learn more at: usbank.com/CIR2020

Managing Committee

Andrew Cecere
Chairman, President and Chief Executive Officer

Elcio R.T. Barcelos
Senior Executive Vice President and Chief Human Resources Officer

James L. Chosy
Senior Executive Vice President and General Counsel

Gregory G. Cunningham
Senior Executive Vice President and Chief Diversity Officer

Terrance R. Dolan
Vice Chair and Chief Financial Officer

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James B. Kelligrew
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Shailesh M. Kotwal
Vice Chair, Payment Services

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Jodi L. Richard
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Mark G. Runkel
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Dominic V. Venturo
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Founding Principal and Chief Executive Officer, Hernandez Media Ventures

Olivia F. Kirtley
Business Consultant (Lead Director)

Karen S. Lynch
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Yusuf Mehdi
Corporate Vice President, Microsoft Corporation

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Scott W. Wine
Chief Executive Officer, CNH Industrial N.V.

About us

U.S. Bancorp, with nearly 70,000 employees and $554 billion in assets as of December 31, 2020, is the parent company of U.S. Bank National Association, 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, commercial, corporate, and investment customers across the country and around the world as a trusted and responsible financial partner.

This commitment continues to earn us a spot on the Ethisphere Institute's World's Most Ethical Companies list and puts U.S. Bank in the top 5% of global companies assessed on the CDP A List for climate change action. Visit **usbank.com** to learn more.

Revenue mix by business line

2020 taxable-equivalent basis. Business line revenue percentages exclude Treasury and Corporate Support.

- **Consumer and Business Banking:** Branches; 24-hour customer centers; mobile banking; online banking; mortgages; consumer lending; ATM and debit processing; workplace banking; student banking
- **Payment Services:** Credit, debit, prepaid, virtual, corporate, purchasing and fleet cards; global payment processing; freight payment services; real time payments; eCommerce
- **Corporate & Commercial Banking:** Lending; asset based financing; equipment finance and small-ticket leasing; correspondent banking; depository services; capital markets; international trade
- **Wealth Management and Investment Services:** Wealth planning, investments, trust services; private banking; specialty asset management; global custody solutions; global fund services; corporate and institutional trust services

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

The following pages discuss in detail the financial results we achieved in 2020 — 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. The COVID-19 pandemic is adversely affecting U.S. Bancorp, its customers, counterparties, employees, and third-party service providers, and the ultimate extent of the impacts on its business, financial position, results of operations, liquidity, and prospects is uncertain. Continued 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; further increases in unemployment 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; civil unrest; 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 to 58 and "Risk Factors" section on pages 146 to 158 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.

Management’s Discussion and Analysis

Overview

In 2020, U.S. Bancorp and its subsidiaries (the “Company”) continued to demonstrate its financial strength despite significant weakness in the domestic and global economies. The COVID-19 pandemic and the mitigation efforts put in place by companies, consumers and governmental authorities to contain it created the most severe negative impact to the domestic and global economies since the Great Depression. These adverse economic conditions moderated during the second half of 2020 as the economies began to recover and unemployment began to decline. Despite a challenging economic environment, the Company’s diversified business mix generated healthy fee revenue growth, capital and liquidity are in a strong position, and the Company demonstrated strong discipline over its expense growth while continuing to invest in digital capabilities and key business initiatives to drive growth and improve efficiencies in the future.

As a result of the economic challenges, the Company earned $5.0 billion in 2020, a decrease of $2.0 billion (28.3 percent) from 2019, reflecting an increase in the provision for credit losses, lower net interest income and higher noninterest expense, partially offset by noninterest income growth. The increase in the provision for credit losses was driven by unfavorable economic conditions caused by the impact of COVID-19 on the domestic and global economies. Net interest income decreased as a result of lower interest rates, partially offset by changes in deposit and funding mix, loan growth and higher loan fees. Noninterest income increased due to significant growth in mortgage banking revenue due to refinancing activities and strong growth in commercial products revenue, partially offset by declines in payment services revenue and deposit service charges due to lower consumer and business spending. Noninterest expense increased reflecting costs incurred related to the COVID-19 environment, an increase in revenue-related production expenses and higher costs related to developing digital capabilities and related business investment.

In 2020, the Company grew its loan portfolio and increased deposits significantly. Average loan balances in 2020 increased $16.6 billion (5.7 percent) over 2019 primarily due to higher commercial loans, reflecting customer utilization of bank credit facilities to support their liquidity requirements, loans made under the Small Business Administration’s (“SBA”) Paycheck Protection Program, growth in residential mortgages given the lower interest rate environment, and higher commercial real estate loans. These increases were partially offset by lower credit card loans driven by a decline in consumer spending during the year, and lower other retail loans. Average deposit balances in 2020 increased $51.8 billion (14.9 percent) over 2019 primarily due to higher total savings and noninterest-bearing deposit balances, partially offset by lower time deposit balances. The growth in average total savings and noninterest-bearing deposits was primarily a result of actions taken by the federal government to increase liquidity in the financial system, customers maintaining balance sheet liquidity by utilizing existing credit facilities and government stimulus programs.

The Company’s common equity tier 1 capital to risk-weighted assets ratio, using the Basel III standardized approach was 9.7 percent at December 31, 2020. Refer to Table 23 for a summary of the statutory capital ratios in effect for the Company at December 31, 2020 and 2019. 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.

The Company’s financial strength, business model, credit culture and focus on efficiency have enabled it to deliver solid financial performance during the challenging economic environment of 2020. Given the current economic environment, the Company will continue to focus on managing credit losses and operating costs, while also utilizing its financial strength to grow market share. The Company believes it is well positioned for long-term growth in earnings per common share and industry-leading returns on assets and common equity. The Company remains committed to delivering best-in-class products and services and in 2021 will continue to invest in its digital capabilities, technology and people to drive revenue growth and efficiency improvement.

TABLE 1 Selected Financial Data

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2020	2019	2018	2017	2016
Condensed Income Statement					
Net interest income	$ 12,825	$ 13,052	$ 12,919	$ 12,380	$ 11,666
Taxable-equivalent adjustment[a]	99	103	116	205	203
Net interest income (taxable-equivalent basis)[b]	12,924	13,155	13,035	12,585	11,869
Noninterest income	10,401	9,831	9,602	9,317	9,290
Total net revenue	23,325	22,986	22,637	21,902	21,159
Noninterest expense	13,369	12,785	12,464	12,790	11,527
Provision for credit losses	3,806	1,504	1,379	1,390	1,324
Income before taxes	6,150	8,697	8,794	7,722	8,308
Income taxes and taxable-equivalent adjustment	1,165	1,751	1,670	1,469	2,364
Net income	4,985	6,946	7,124	6,253	5,944
Net (income) loss attributable to noncontrolling interests	(26)	(32)	(28)	(35)	(56)
Net income attributable to U.S. Bancorp	$ 4,959	$ 6,914	$ 7,096	$ 6,218	$ 5,888
Net income applicable to U.S. Bancorp common shareholders	$ 4,621	$ 6,583	$ 6,784	$ 5,913	$ 5,589
Per Common Share					
Earnings per share	$ 3.06	$ 4.16	$ 4.15	$ 3.53	$ 3.25
Diluted earnings per share	3.06	4.16	4.14	3.51	3.24
Dividends declared per share	1.68	1.58	1.34	1.16	1.07
Book value per share[c]	31.26	29.90	28.01	26.34	24.63
Market value per share	46.59	59.29	45.70	53.58	51.37
Average common shares outstanding	1,509	1,581	1,634	1,677	1,718
Average diluted common shares outstanding	1,510	1,583	1,638	1,683	1,724
Financial Ratios					
Return on average assets	.93%	1.45%	1.55%	1.39%	1.36%
Return on average common equity	10.0	14.1	15.4	13.8	13.4
Net interest margin (taxable-equivalent basis)[a]	2.68	3.06	3.14	3.10	3.04
Efficiency ratio[b]	57.8	55.8	55.1	58.5	54.5
Net charge-offs as a percent of average loans outstanding	.58	.50	.48	.48	.47
Average Balances					
Loans	$307,269	$290,686	$280,701	$276,537	$267,811
Loans held for sale	6,985	3,769	3,230	3,574	4,181
Investment securities[d]	125,954	117,150	113,940	111,820	107,922
Earning assets	481,402	430,537	415,067	406,421	389,877
Assets	531,207	475,653	457,014	448,582	433,313
Noninterest-bearing deposits	98,539	73,863	78,196	81,933	81,176
Deposits	398,615	346,812	333,462	333,514	312,810
Short-term borrowings	19,182	18,137	21,790	15,022	19,906
Long-term debt	44,040	41,572	37,450	35,601	36,220
Total U.S. Bancorp shareholders' equity	52,246	52,623	49,763	48,466	47,339
Period End Balances					
Loans	$297,707	$296,102	$286,810	$280,432	$273,207
Investment securities	136,840	122,613	112,165	112,499	109,275
Assets	553,905	495,426	467,374	462,040	445,964
Deposits	429,770	361,916	345,475	347,215	334,590
Long-term debt	41,297	40,167	41,340	32,259	33,323
Total U.S. Bancorp shareholders' equity	53,095	51,853	51,029	49,040	47,298
Asset Quality					
Nonperforming assets	$ 1,298	$ 829	$ 989	$ 1,200	$ 1,603
Allowance for credit losses	8,010	4,491	4,441	4,417	4,357
Allowance for credit losses as a percentage of period-end loans	2.69%	1.52%	1.55%	1.58%	1.59%
Capital Ratios					
Common equity tier 1 capital	9.7%	9.1%	9.1%	9.3%	9.4%
Tier 1 capital	11.3	10.7	10.7	10.8	11.0
Total risk-based capital	13.4	12.7	12.6	12.9	13.2
Leverage	8.3	8.8	9.0	8.9	9.0
Total leverage exposure	7.3	7.0	7.2		
Tangible common equity to tangible assets[b]	6.9	7.5	7.8	7.6	7.5
Tangible common equity to risk-weighted assets[b]	9.5	9.3	9.4	9.4	9.2
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the current expected credit losses methodology[b]	9.3				

(a) Based on federal income tax rates of 21 percent for 2020, 2019 and 2018 and 35 percent for 2017 and 2016, 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 64.

(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.

Earnings Summary The Company reported net income attributable to U.S. Bancorp of $5.0 billion in 2020, or $3.06 per diluted common share, compared with $6.9 billion, or $4.16 per diluted common share, in 2019. Return on average assets and return on average common equity were 0.93 percent and 10.0 percent, respectively, in 2020, compared with 1.45 percent and 14.1 percent, respectively, in 2019. During a challenging period adversely impacted by the COVID-19 pandemic, the Company's diversified business generated growth in net revenue and supported a provision for credit losses of $3.8 billion resulting in a $2.0 billion increase in the allowance for credit losses in 2020.

Total net revenue for 2020 was $339 million (1.5 percent) higher than 2019, reflecting a 5.8 percent increase in noninterest income, partially offset by a 1.7 percent decrease in net interest income (1.8 percent on a taxable-equivalent basis). The decrease in net interest income from the prior year was primarily due to the impact of lower rates, partially offset by changes in deposit and funding mix, loan growth and higher loan fees. The increase in noninterest income was driven by significant growth in mortgage banking revenue and commercial products revenue, as well as increases in trust and investment management fees and gains on the sale of investment securities. Growth in these fee categories was partially offset by a decline in payment services revenue and deposit service charges related to lower consumer and business spending. Additionally, other noninterest income declined from the prior year due to lower equity investment income and certain asset impairments, partially offset by gains on sale of certain businesses in 2020.

Noninterest expense in 2020 was $584 million (4.6 percent) higher than 2019, reflecting costs related to COVID-19 and an increase in revenue-related production expenses in 2020. Additionally, noninterest expense reflected an increase in personnel costs and technology and communications expense related to developing digital capabilities and related business investment, as well as an increase in other noninterest expense, partially offset by lower marketing and business development expense.

Results for 2019 Compared With 2018 For discussion related to changes in financial condition and results of operations for 2019 compared with 2018, refer to "Management's Discussion and Analysis" in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission on February 20, 2020.

Statement of Income Analysis

Net Interest Income Net interest income, on a taxable-equivalent basis, was $12.9 billion in 2020, compared with $13.2 billion in 2019. The $231 million (1.8 percent) decrease in net interest income, on a taxable-equivalent basis, in 2020 compared with 2019, was principally driven by the impact of lower interest rates from the prior year, partially offset by changes in deposit and funding mix, loan growth and higher loan fees. Average earning assets were $50.9 billion (11.8 percent) higher in 2020, compared with 2019, reflecting increases in loans, investment securities and other earning assets primarily representing cash balances. The net interest margin, on a taxable-equivalent basis, in 2020 was 2.68 percent, compared with 3.06 percent in 2019. The decrease in the net interest margin in 2020, compared with 2019, was primarily due to the impact of lower interest rates, changes in the yield curve, a decision to maintain higher cash balances for liquidity, and higher premium amortization within the investment portfolio, partially offset by the net benefit of changes in loan mix and 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 $307.3 billion in 2020, compared with $290.7 billion in 2019. The $16.6 billion (5.7 percent) increase was primarily due to higher commercial loans, residential mortgages and commercial real estate loans, partially offset by decreases in credit card loans and other retail loans. Average commercial loans increased $10.8 billion (10.4 percent), reflecting the utilization of bank credit facilities by customers to support liquidity requirements as well as the impact of loans made under the SBA's Paycheck Protection Program. Average residential mortgages increased $5.9 billion (8.7 percent) due to higher mortgage loan production given the lower interest rate environment, and higher Government National Mortgage Association ("GNMA") buybacks. Average commercial real estate loans increased $1.2 billion (3.0 percent) in 2020, compared with 2019, primarily the result of higher commercial mortgage new business in the first half of 2020, along with slower paydowns of balances by customers in the second half of the year. Average credit card balances decreased $977 million (4.2 percent), reflecting the net impact of lower consumer spending during 2020, partially offset by the acquisition of a credit card portfolio in 2020. The $291 million (0.5 percent) decrease in average other retail loans was primarily due to lower home equity loans, revolving credit balances, auto loans and retail leasing loans, partially offset by an increase in installment loans.

TABLE 2 Analysis of Net Interest Income[a]

Year Ended December 31 (Dollars in Millions)	2020	2019	2018	2020 v 2019	2019 v 2018
Components of Net Interest Income					
Income on earning assets (taxable-equivalent basis)	$ 14,942	$ 17,607	$ 16,298	$ (2,665)	$ 1,309
Expense on interest-bearing liabilities (taxable-equivalent basis)	2,018	4,452	3,263	(2,434)	1,189
Net interest income (taxable-equivalent basis)[b]	$ 12,924	$ 13,155	$ 13,035	$ (231)	$ 120
Net interest income, as reported	$ 12,825	$ 13,052	$ 12,919	$ (227)	$ 133
Average Yields and Rates Paid					
Earning assets yield (taxable-equivalent basis)	3.10%	4.09%	3.93%	(.99)%	.16%
Rate paid on interest-bearing liabilities (taxable-equivalent basis)	.56	1.34	1.04	(.78)	.30
Gross interest margin (taxable-equivalent basis)	2.54%	2.75%	2.89%	(.21)%	(.14)%
Net interest margin (taxable-equivalent basis)	2.68%	3.06%	3.14%	(.38)%	(.08)%
Average Balances					
Investment securities[c]	$125,954	$117,150	$113,940	$ 8,804	$ 3,210
Loans	307,269	290,686	280,701	16,583	9,985
Earning assets	481,402	430,537	415,067	50,865	15,470
Noninterest-bearing deposits	98,539	73,863	78,196	24,676	(4,333)
Interest-bearing deposits	300,076	272,949	255,266	27,127	17,683
Total deposits	398,615	346,812	333,462	51,803	13,350
Interest-bearing liabilities	363,298	332,658	314,506	30,640	18,152

(a) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent.

(b) See Non-GAAP Financial Measures beginning on page 64.

(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 2020 were $8.8 billion (7.5 percent) higher than in 2019, primarily due to purchases of mortgage-backed securities, net of prepayments and maturities.

Average total deposits for 2020 were $51.8 billion (14.9 percent) higher than 2019. Average total savings deposits for 2020 were $33.7 billion (14.7 percent) higher than 2019, driven by increases in Consumer and Business Banking, Corporate and Commercial Banking, and Wealth Management and Investment Services balances. Average noninterest-bearing deposits were $24.7 billion (33.4 percent) higher in 2020, compared with 2019, reflecting increases across all business lines. The growth in average total savings and noninterest-bearing deposits was primarily a result of the actions by the federal government to increase liquidity in the financial system, customers maintaining balance sheet liquidity by utilizing existing credit facilities and government stimulus programs. The increase in average noninterest-bearing deposits in Payment Services was driven by state unemployment distributions on prepaid debit cards. Average time deposits for 2020 were $6.5 billion (14.7 percent) lower than 2019, primarily driven by decreases in those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics, partially offset by increases in Consumer and Business Banking balances reflecting the acquisition of deposit balances from State Farm Bank in the fourth quarter of 2020.

TABLE 3 Net Interest Income — Changes Due to Rate and Volume(a)

Year Ended December 31 (Dollars in Millions)	2020 v 2019 Volume	2020 v 2019 Yield/Rate	2020 v 2019 Total	2019 v 2018 Volume	2019 v 2018 Yield/Rate	2019 v 2018 Total
Increase (decrease) in						
Interest Income						
Investment securities	$ 222	$ (684)	$ (462)	$ 75	$ 201	$ 276
Loans held for sale	138	(84)	54	28	(31)	(3)
Loans						
Commercial	442	(1,479)	(1,037)	167	267	434
Commercial real estate	57	(519)	(462)	(28)	66	38
Residential mortgages	231	(209)	22	224	54	278
Credit card	(112)	(176)	(288)	192	(57)	135
Other retail	(14)	(316)	(330)	40	176	216
Covered loans	—	—	—	(134)	—	(134)
Total loans	604	(2,699)	(2,095)	461	506	967
Other earning assets	401	(563)	(162)	27	42	69
Total earning assets	1,365	(4,030)	(2,665)	591	718	1,309
Interest Expense						
Interest-bearing deposits						
Interest checking	36	(198)	(162)	5	72	77
Money market savings	237	(1,346)	(1,109)	86	473	559
Savings accounts	14	(79)	(65)	2	53	55
Time deposits	(130)	(439)	(569)	87	208	295
Total interest-bearing deposits	157	(2,062)	(1,905)	180	806	986
Short-term borrowings	21	(247)	(226)	(65)	48	(17)
Long-term debt	73	(376)	(303)	111	109	220
Total interest-bearing liabilities	251	(2,685)	(2,434)	226	963	1,189
Increase (decrease) in net interest income	$1,114	$(1,345)	$ (231)	$ 365	$(245)	$ 120

(a) This table shows the components of the change in net interest income by volume and rate on a taxable-equivalent basis based on a federal income tax rate of 21 percent. 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 economic conditions and the size and credit quality of the entire portfolio of loans. The Company maintains an allowance for credit losses considered appropriate by management for expected losses, based on factors discussed in the "Analysis and Determination of Allowance for Credit Losses" section.

In 2020, the provision for credit losses was $3.8 billion, compared with $1.5 billion in 2019. In March 2020, economic conditions began to deteriorate, and continued to worsen in the second quarter of 2020, due to the impact of the COVID-19 pandemic. Economic conditions moderated during the second half of 2020 as economic projections for both the gross domestic product and unemployment levels improved throughout the third and fourth quarters. The Company recognized an increase of $1.9 billion in the allowance for credit losses during 2020 due to deteriorating credit quality and expected ongoing effects of these adverse economic conditions. In addition, the Company recognized an increase of $120 million in the allowance for credit losses during 2020, reflecting the expected losses within the acquired State Farm Bank credit card portfolio. Net charge-offs increased $332 million (22.8 percent) in 2020, compared with 2019, reflecting higher commercial and commercial real estate loan net charge-offs, partially offset by a decrease in credit card loan net charge-offs. Nonperforming assets increased $469 million (56.6 percent) from December 31, 2019 to December 31, 2020, primarily driven by increases in nonperforming commercial and commercial real estate loans.

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)	2020	2019	2018	2020 v 2019	2019 v 2018
Credit and debit card revenue	$ 1,338	$1,413	$1,401	(5.3)%	.9%
Corporate payment products revenue	497	664	644	(25.2)	3.1
Merchant processing services	1,261	1,601	1,531	(21.2)	4.6
Trust and investment management fees	1,736	1,673	1,619	3.8	3.3
Deposit service charges	677	909	1,070	(25.5)	(15.0)
Treasury management fees	568	578	594	(1.7)	(2.7)
Commercial products revenue	1,143	934	895	22.4	4.4
Mortgage banking revenue	2,064	874	720	*	21.4
Investment products fees	192	186	188	3.2	(1.1)
Securities gains (losses), net	177	73	30	*	*
Other	748	926	910	(19.2)	1.8
Total noninterest income	$10,401	$9,831	$9,602	5.8%	2.4%

* *Not meaningful.*

Noninterest Income Noninterest income in 2020 was $10.4 billion, compared with $9.8 billion in 2019. The $570 million (5.8 percent) increase in 2020 over 2019 reflected growth in mortgage banking revenue, commercial products revenue, and trust and investment management fees, as well as higher gains on sales of investment securities, partially offset by lower payment services revenue, deposit service charges and other noninterest income. Mortgage banking revenue increased $1.2 billion in 2020, compared with 2019, due to higher mortgage loan production driven by refinancing activities and stronger gain on sale margins, partially offset by declines in mortgage servicing rights (“MSRs”) valuations, net of hedging activities. Commercial products revenue increased 22.4 percent in 2020, compared with 2019, primarily due to higher corporate bond issuance fees and trading revenue. Trust and investment management fees increased 3.8 percent due to business growth and favorable market conditions. Payment services revenue decreased in 2020, compared with 2019, due to a 5.3 percent decrease in credit and debit card revenue, a 25.2 percent decrease in corporate payment products revenue and a 21.2 percent decrease in merchant processing services revenue, all driven by lower sales volume due to the worldwide impact of the COVID-19 pandemic on consumer and business spending. The decrease in credit and debit card revenue was partially offset by the impact of higher prepaid card fees related to government stimulus programs adopted in 2020. Deposit service charges decreased 25.5 percent primarily due to lower consumer spending activities. Other noninterest income decreased 19.2 percent in 2020, compared with 2019, primarily due to lower equity investment income and certain 2020 asset impairments as a result of expected branch closures and property damage from civil unrest that occurred during the year. These decreases in other noninterest income were partially offset by higher retail leasing end of term residual gains, higher tax-advantaged investment syndication revenue, gains on sales of certain businesses in 2020 and the impact of a charge of $140 million in 2019 for a derivative liability related to Visa shares previously sold by the Company.

TABLE 5 Noninterest Expense

Year Ended December 31 (Dollars in Millions)	2020	2019	2018	2020 v 2019	2019 v 2018
Compensation	$ 6,635	$ 6,325	$ 6,162	4.9%	2.6%
Employee benefits	1,303	1,286	1,231	1.3	4.5
Net occupancy and equipment	1,092	1,123	1,063	(2.8)	5.6
Professional services	430	454	407	(5.3)	11.5
Marketing and business development	318	426	429	(25.4)	(.7)
Technology and communications	1,294	1,095	978	18.2	12.0
Postage, printing and supplies	288	290	324	(.7)	(10.5)
Other intangibles	176	168	161	4.8	4.3
Other	1,833	1,618	1,709	13.3	(5.3)
Total noninterest expense	$13,369	$12,785	$12,464	4.6%	2.6%
Efficiency ratio[(a)]	57.8%	55.8%	55.1%		

(a) See Non-GAAP Financial Measures beginning on page 64.

Noninterest Expense Noninterest expense in 2020 was $13.4 billion, compared with $12.8 billion in 2019. The Company's efficiency ratio was 57.8 percent in 2020, compared with 55.8 percent in 2019. The $584 million (4.6 percent) increase in noninterest expense in 2020 over 2019 was driven by additional expenses of $574 million in 2020, representing incremental costs related to the prepaid card business, expenses related to COVID-19, and revenue-related expenses due to higher mortgage production and capital markets activities. In addition, the increases were also driven by business investments, including those related to increased digital capabilities. The increase in 2020 noninterest expense over 2019 reflected higher compensation expense, technology and communications expense, and other noninterest expense, partially offset by lower marketing and business development expense, net occupancy and equipment expense, and professional services expense. Compensation expense increased 4.9 percent in 2020 over 2019, due to the impacts of merit increases and higher variable compensation related to business production within the mortgage banking and fixed income capital markets businesses. Technology and communications expense increased 18.2 percent primarily due to capital expenditures supporting business technology investments and the impact of increased call center volume on prepaid cards related to government stimulus programs adopted in 2020. Other noninterest expense increased 13.3 percent, reflecting expenses in 2020 related to COVID-19, higher revenue-related costs, merger-related costs related to acquired deposits, higher FDIC insurance expense driven by an increase in the assessment base, and higher state franchise taxes, partially offset by lower costs related to tax-advantaged projects in 2020 and the impact of $200 million of severance charges and asset impairment accruals recorded in 2019. Incremental costs related to COVID-19 include increased liabilities driven by the Company's exposure as a credit card processor to charge-back risk on undelivered goods and services, including prepaid airline tickets, as well as expenses related to paying premium compensation to front-line workers and providing a safe working environment for employees. Marketing and business development expense decreased 25.4 percent due to a reduction in travel as a result of COVID-19 and a decrease in 2020 marketing campaigns. Net occupancy and equipment expense decreased 2.8 percent due to branch closures, while professional services expense decreased 5.3 percent primarily due to fewer initiatives in 2020.

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 remain unchanged at $201 million in 2021, primarily due to expected earnings on higher plan assets due to the Company's 2020 contributions of $1.2 billion, offset by a lower expected rate of return on assets of 6.50 percent and 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 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 2021 pension expense:

Discount Rate (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	$ (115)	$ 102
Percent of 2020 net income	(1.73)%	1.54%

LTROR (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	$ (69)	$ 69
Percent of 2020 net income	(1.04)%	1.04%

Income Tax Expense The provision for income taxes was $1.1 billion (an effective rate of 17.6 percent) in 2020, compared with $1.6 billion (an effective rate of 19.2 percent) in 2019. The reduced tax rate for 2020 was primarily a result of reduced pretax income driven by current economic conditions, including the higher provision for credit losses.

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

Balance Sheet Analysis

Average earning assets were $481.4 billion in 2020, compared with $430.5 billion in 2019. The increase in average earning assets of $50.9 billion (11.8 percent) was primarily due to increases in loans of $16.6 billion (5.7 percent), investment securities of $8.8 billion (7.5 percent) and other earning assets of $22.3 billion, primarily representing higher cash balances.

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 $297.7 billion at December 31, 2020, compared with $296.1 billion at December 31, 2019, an increase of $1.6 billion (0.5 percent). The increase was driven by an increase in residential mortgages of $5.6 billion (7.9 percent), partially offset by decreases in credit card loans of $2.4 billion (9.9 percent), commercial loans of $992 million (1.0 percent), commercial real estate loans of $435 million (1.1 percent) and other retail loans of $94 million

(0.2 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 $16.6 billion (5.7 percent) in 2020, compared with 2019. The increase was due to growth in commercial loans, residential mortgages and commercial real estate loans, partially offset by lower credit card and other retail loans.

Commercial Commercial loans, including lease financing, decreased $992 million (1.0 percent) at December 31, 2020, compared with December 31, 2019, reflecting paydowns by corporate customers, partially offset by loans made under the SBA's Paycheck Protection Program. Average commercial loans increased $10.8 billion (10.4 percent) in 2020, compared with 2019, reflecting the utilization of bank credit facilities by customers to support liquidity requirements as well as the impact of loans made under the SBA's Paycheck Protection Program. 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, decreased $435 million (1.1 percent) at December 31, 2020, compared with December 31, 2019. The decrease was primarily the result of customers paying down balances, partially offset by new originations. Average commercial real estate loans increased $1.2 billion (3.0 percent) in 2020, compared with 2019. 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 2020, approximately $489 million of construction loans were reclassified to the commercial mortgage category. At December 31, 2020 and 2019, $80 million and $101 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 at December 31, 2020 and 2019.

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 $14.0 billion and $14.3 billion at December 31, 2020 and 2019, respectively.

TABLE 6 Loan Portfolio Distribution

At December 31 (Dollars in Millions)	2020 Amount	2020 Percent of Total	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total
Commercial										
Commercial	$ 97,315	32.7%	$ 98,168	33.2%	$ 96,849	33.8%	$ 91,958	32.8%	$ 87,928	32.2%
Lease financing	5,556	1.9	5,695	1.9	5,595	1.9	5,603	2.0	5,458	2.0
Total commercial	102,871	34.6	103,863	35.1	102,444	35.7	97,561	34.8	93,386	34.2
Commercial Real Estate										
Commercial mortgages	28,472	9.6	29,404	9.9	28,596	10.0	29,367	10.5	31,592	11.6
Construction and development	10,839	3.6	10,342	3.5	10,943	3.8	11,096	4.0	11,506	4.2
Total commercial real estate	39,311	13.2	39,746	13.4	39,539	13.8	40,463	14.5	43,098	15.8
Residential Mortgages										
Residential mortgages	66,525	22.4	59,865	20.2	53,034	18.5	46,685	16.6	43,632	16.0
Home equity loans, first liens	9,630	3.2	10,721	3.6	12,000	4.2	13,098	4.7	13,642	5.0
Total residential mortgages	76,155	25.6	70,586	23.8	65,034	22.7	59,783	21.3	57,274	21.0
Credit Card	22,346	7.5	24,789	8.4	23,363	8.1	22,180	7.9	21,749	7.9
Other Retail										
Retail leasing	8,150	2.7	8,490	2.9	8,546	3.0	7,988	2.8	6,316	2.3
Home equity and second mortgages	12,472	4.2	15,036	5.1	16,122	5.6	16,327	5.8	16,369	6.0
Revolving credit	2,688	.9	2,899	1.0	3,088	1.1	3,183	1.1	3,282	1.2
Installment	13,823	4.6	11,038	3.7	9,676	3.4	8,989	3.2	8,087	3.0
Automobile	19,722	6.6	19,435	6.5	18,719	6.5	18,934	6.8	17,571	6.4
Student	169	.1	220	.1	279	.1	1,903	.7	2,239	.8
Total other retail	57,024	19.1	57,118	19.3	56,430	19.7	57,324	20.4	53,864	19.7
Covered Loans	—	—	—	—	—	—	3,121	1.1	3,836	1.4
Total loans	$297,707	100.0%	$296,102	100.0%	$286,810	100.0%	$280,432	100.0%	$273,207	100.0%

TABLE 7 Commercial Loans by Industry Group and Geography

At December 31 (Dollars in Millions)	2020 Loans	2020 Percent	2019 Loans	2019 Percent
Industry Group				
Real-estate related	$ 14,032	13.6%	$ 14,329	13.8%
Financial institutions	11,208	10.9	9,386	9.0
Healthcare	7,815	7.6	6,398	6.2
Personal, professional and commercial services	7,597	7.4	6,799	6.5
Media and entertainment	5,737	5.6	4,993	4.8
Retail	5,277	5.1	5,131	4.9
Education and non-profit	4,698	4.6	4,262	4.1
Automotive	4,395	4.3	6,446	6.2
Technology	3,937	3.8	4,446	4.3
Food and beverage	3,869	3.8	4,009	3.9
Transportation	3,441	3.3	3,696	3.6
State and municipal government	3,157	3.1	3,095	3.0
Capital goods	2,911	2.8	3,465	3.3
Metals and mining	2,892	2.8	3,261	3.1
Building materials	2,813	2.7	2,367	2.3
Energy (includes Oil and gas)	2,624	2.6	3,644	3.5
Power (includes Utilities)	2,150	2.1	2,098	2.0
Agriculture	1,950	1.9	2,258	2.2
Other	12,368	12.0	13,780	13.3
Total	$102,871	100.0%	$103,863	100.0%
Geography				
California	$ 14,053	13.7%	$ 12,432	12.0%
Colorado	3,773	3.7	4,025	3.9
Illinois	5,795	5.6	5,482	5.3
Minnesota	7,251	7.0	7,294	7.0
Missouri	4,085	4.0	3,875	3.7
Ohio	4,394	4.3	4,777	4.6
Oregon	2,094	2.0	1,986	1.9
Washington	4,083	4.0	3,910	3.8
Wisconsin	3,996	3.9	3,975	3.8
Iowa, Kansas, Nebraska, North Dakota, South Dakota	3,981	3.9	4,375	4.2
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	5,481	5.3	6,461	6.2
Idaho, Montana, Wyoming	1,116	1.1	1,010	1.0
Arizona, Nevada, New Mexico, Utah	4,269	4.1	4,194	4.0
Total banking region	64,371	62.6	63,796	61.4
Florida, Michigan, New York, Pennsylvania, Texas	20,183	19.6	20,869	20.1
All other states	18,317	17.8	19,198	18.5
Total outside Company's banking region	38,500	37.4	40,067	38.6
Total	$102,871	100.0%	$103,863	100.0%

Residential Mortgages Residential mortgages held in the loan portfolio at December 31, 2020, increased $5.6 billion (7.9 percent) over December 31, 2019. Average residential mortgages increased $5.9 billion (8.7 percent) in 2020, compared with 2019. The growth reflected higher mortgage production given the lower interest rate environment, and higher GNMA buybacks. 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 decreased $2.4 billion (9.9 percent) at December 31, 2020, compared with December 31, 2019. Average credit card balances decreased $977 million (4.2 percent) in 2020, compared with 2019. The decreases reflected reduced consumer spending in 2020 driven by the impact of COVID-19, partially offset by the acquisition of the State Farm Bank credit card portfolio during 2020.

TABLE 8 Commercial Real Estate Loans by Property Type and Geography

At December 31 (Dollars in Millions)	2020 Loans	2020 Percent	2019 Loans	2019 Percent
Property Type				
Multi-family	$ 8,672	22.1%	$ 8,256	20.8%
Business owner occupied	8,622	21.9	9,111	22.9
Office	6,081	15.5	5,783	14.6
Retail	3,645	9.3	3,947	9.9
Industrial	2,941	7.5	2,650	6.7
Lodging	2,814	7.1	3,154	7.9
Residential land and development	2,724	6.9	3,038	7.6
Other	3,812	9.7	3,807	9.6
Total	$39,311	100.0%	$39,746	100.0%
Geography				
California	$ 9,653	24.6%	$ 9,980	25.1%
Colorado	1,680	4.3	1,649	4.1
Illinois	1,487	3.8	1,379	3.5
Minnesota	1,869	4.7	1,927	4.9
Missouri	950	2.4	1,114	2.8
Ohio	1,213	3.1	1,235	3.1
Oregon	1,738	4.4	1,735	4.4
Washington	3,427	8.7	3,505	8.8
Wisconsin	1,585	4.0	1,713	4.3
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,930	4.9	2,049	5.2
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	2,981	7.6	2,828	7.1
Idaho, Montana, Wyoming	997	2.5	1,004	2.5
Arizona, Nevada, New Mexico, Utah	2,933	7.5	3,056	7.7
Total banking region	32,443	82.5	33,174	83.5
Florida, Michigan, New York, Pennsylvania, Texas	3,999	10.2	3,892	9.8
All other states	2,869	7.3	2,680	6.7
Total outside Company's banking region	6,868	17.5	6,572	16.5
Total	$39,311	100.0%	$39,746	100.0%

Other Retail Total other retail loans, which include retail leasing, home equity and second mortgages and other retail loans, decreased $94 million (0.2 percent) at December 31, 2020, compared with December 31, 2019, reflecting decreases in home equity loans, retail leasing and revolving credit balances, partially offset by increases in installment loans and auto loans. Average other retail loans decreased $291 million (0.5 percent) in 2020, compared with 2019. Of the total residential mortgages, credit card and other retail loans outstanding at December 31, 2020, approximately 70.7 percent were to customers located in the Company's primary banking region, compared with 73.2 percent at December 31, 2019. 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, 2020 and 2019.

TABLE 9 Residential Mortgages by Geography

At December 31 (Dollars in Millions)	2020 Loans	2020 Percent	2019 Loans	2019 Percent
California	$22,994	30.2%	$22,945	32.5%
Colorado	3,777	5.0	3,864	5.5
Illinois	3,786	5.0	3,488	4.9
Minnesota	4,378	5.7	4,359	6.2
Missouri	1,724	2.3	1,704	2.4
Ohio	2,241	2.9	2,017	2.9
Oregon	2,399	3.1	2,485	3.5
Washington	3,943	5.2	4,075	5.8
Wisconsin	1,391	1.8	1,503	2.1
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,969	2.6	1,970	2.8
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	4,372	5.7	3,921	5.6
Idaho, Montana, Wyoming	1,334	1.8	1,354	1.9
Arizona, Nevada, New Mexico, Utah	6,087	8.0	5,229	7.4
Total banking region	60,395	79.3	58,914	83.5
Florida, Michigan, New York, Pennsylvania, Texas	7,367	9.7	5,162	7.3
All other states	8,393	11.0	6,510	9.2
Total outside Company's banking region	15,760	20.7	11,672	16.5
Total	$76,155	100.0%	$70,586	100.0%

TABLE 10 Credit Card Loans by Geography

At December 31 (Dollars in Millions)	2020 Loans	2020 Percent	2019 Loans	2019 Percent
California	$ 2,175	9.7%	$ 2,550	10.3%
Colorado	773	3.5	854	3.4
Illinois	1,095	4.9	1,257	5.1
Minnesota	1,126	5.0	1,305	5.3
Missouri	709	3.2	787	3.2
Ohio	1,153	5.2	1,272	5.1
Oregon	620	2.8	710	2.9
Washington	789	3.5	903	3.6
Wisconsin	926	4.1	1,043	4.2
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,019	4.5	1,122	4.5
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	1,938	8.7	2,106	8.5
Idaho, Montana, Wyoming	355	1.6	395	1.6
Arizona, Nevada, New Mexico, Utah	1,133	5.1	1,286	5.2
Total banking region	13,811	61.8	15,590	62.9
Florida, Michigan, New York, Pennsylvania, Texas	4,410	19.7	4,763	19.2
All other states	4,125	18.5	4,436	17.9
Total outside Company's banking region	8,535	38.2	9,199	37.1
Total	$22,346	100.0%	$24,789	100.0%

TABLE 11 Other Retail Loans by Geography

At December 31 (Dollars in Millions)	2020 Loans	2020 Percent	2019 Loans	2019 Percent
California	$ 9,179	16.1%	$ 9,596	16.8%
Colorado	1,886	3.3	2,015	3.5
Illinois	2,571	4.5	2,772	4.8
Minnesota	3,009	5.3	3,147	5.5
Missouri	1,687	3.0	1,820	3.2
Ohio	2,579	4.5	2,594	4.5
Oregon	1,426	2.5	1,530	2.7
Washington	1,809	3.2	1,810	3.2
Wisconsin	1,219	2.1	1,289	2.3
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,235	3.9	2,320	4.1
Arkansas, Indiana, Kentucky, North Carolina, Tennessee	3,960	6.9	3,927	6.9
Idaho, Montana, Wyoming	1,069	1.9	1,090	1.9
Arizona, Nevada, New Mexico, Utah	3,054	5.4	3,144	5.5
Total banking region	35,683	62.6	37,054	64.9
Florida, Michigan, New York, Pennsylvania, Texas	13,522	23.7	12,564	22.0
All other states	7,819	13.7	7,500	13.1
Total outside Company's banking region	21,341	37.4	20,064	35.1
Total	$57,024	100.0%	$57,118	100.0%

TABLE 12 Selected Loan Maturity Distribution

At December 31, 2020 (Dollars in Millions)	One Year or Less	Over One Through Five Years	Over Five Years	Total
Commercial	$42,147	$ 58,051	$ 2,673	$102,871
Commercial real estate	11,748	20,866	6,697	39,311
Residential mortgages	2,735	9,888	63,532	76,155
Credit card	22,346	—	—	22,346
Other retail	10,240	25,255	21,529	57,024
Total loans	$89,216	$114,060	$94,431	$297,707
Total of loans due after one year with				
Predetermined interest rates				$106,018
Floating interest rates				$102,473

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 $8.8 billion at December 31, 2020, compared with $5.6 billion at December 31, 2019. The increase in loans held for sale was principally due to a higher level of mortgage loan closings in late 2020, compared with the same period of 2019, given the lower interest rate environment. 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 Available-for-Sale Investment Securities

At December 31 (Dollars in Millions)	2020 Amortized Cost	2020 Fair Value	2020 Weighted-Average Maturity in Years	2020 Weighted-Average Yield[d]	2019 Amortized Cost	2019 Fair Value	2019 Weighted-Average Maturity in Years	2019 Weighted-Average Yield[d]
U.S. Treasury and agencies	$ 21,954	$ 22,391	3.8	1.37%	$ 19,845	$ 19,839	2.7	1.68%
Mortgage-backed securities[a]	103,282	105,374	3.0	1.47	95,385	95,564	4.4	2.39
Asset-backed securities[a]	200	205	6.2	1.47	375	383	3.1	3.09
Obligations of state and political subdivisions[b][c]	8,166	8,861	6.3	3.99	6,499	6,814	6.6	4.29
Other	9	9	.1	1.81	13	13	.3	2.66
Total investment securities	$133,611	$136,840	3.4	1.61%	$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) Yields on investment securities are computed based on amortized cost balances. 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.

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.

Available-for-sale investment securities totaled $136.8 billion at December 31, 2020, compared with $122.6 billion at December 31, 2019. The $14.2 billion (11.6 percent) increase reflected $11.5 billion of net investment purchases and a $2.7 billion favorable change in net unrealized gains (losses) on available-for-sale investment securities. The Company had no outstanding investment securities classified as held-to-maturity at December 31, 2020 and 2019.

Average investment securities were $126.0 billion in 2020, compared with $117.2 billion in 2019. The weighted-average yield of the investment securities portfolio was 1.61 percent at December 31, 2020, compared with 2.38 percent at December 31, 2019. The weighted-average maturity of the investment securities portfolio was 3.4 years at December 31, 2020, compared with 4.2 years at December 31, 2019. Available-for-sale investment securities by type are shown in Table 13.

The Company's available-for-sale investment securities are carried at fair value with changes in fair value reflected in other comprehensive income (loss) unless a portion of a security's unrealized loss is related to credit and an allowance for credit losses is necessary. At December 31, 2020, the Company's net unrealized gains on available-for-sale securities were $3.2 billion, compared with $496 million at December 31, 2019. The favorable change in net unrealized gains was primarily due to increases in the fair value of mortgage-backed, U.S. Treasury, and state and political securities as a result of changes in interest rates. Gross unrealized losses on available-for-sale investment securities totaled $53 million at December 31, 2020, compared with $448 million at December 31, 2019. When evaluating credit losses, the Company considers various factors such as the nature of the investment security, the credit ratings or financial condition of the issuer, the extent of the unrealized loss, expected cash flows of the underlying collateral, the existence of any government or agency guarantees, and market conditions. At December 31, 2020, 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)	2020 Amount	2020 Percent of Total	2019 Amount	2019 Percent of Total	2018 Amount	2018 Percent of Total	2017 Amount	2017 Percent of Total	2016 Amount	2016 Percent of Total
Noninterest-bearing deposits	$118,089	27.5%	$ 75,590	20.9%	$ 81,811	23.7%	$ 87,557	25.2%	$ 86,097	25.7%
Interest-bearing deposits										
Interest checking	95,894	22.3	75,949	21.0	73,994	21.4	74,520	21.5	66,298	19.8
Money market savings	128,058	29.8	120,082	33.2	100,396	29.1	107,973	31.1	109,947	32.9
Savings accounts	57,035	13.3	47,401	13.1	44,720	12.9	43,809	12.6	41,783	12.5
Total savings deposits	280,987	65.4	243,432	67.3	219,110	63.4	226,302	65.2	218,028	65.2
Time deposits less than $100,000	8,451	2.0	10,624	2.9	7,422	2.1	7,315	2.1	8,040	2.4
Time deposits greater than $100,000										
Domestic	10,149	2.3	13,077	3.6	19,958	5.8	10,792	3.1	7,230	2.2
Foreign	12,094	2.8	19,193	5.3	17,174	5.0	15,249	4.4	15,195	4.5
Total interest-bearing deposits	311,681	72.5	286,326	79.1	263,664	76.3	259,658	74.8	248,493	74.3
Total deposits	$429,770	100.0%	$361,916	100.0%	$345,475	100.0%	$347,215	100.0%	$334,590	100.0%

The maturity of time deposits was as follows:

At December 31, 2020 (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	$1,321	$ 2,983	$12,094	$16,398
Three months through six months	1,333	1,554	—	2,887
Six months through one year	2,231	2,292	—	4,523
Thereafter	3,566	3,320	—	6,886
Total	$8,451	$10,149	$12,094	$30,694

Deposits Total deposits were $429.8 billion at December 31, 2020, compared with $361.9 billion at December 31, 2019. The $67.9 billion (18.7 percent) increase in total deposits reflected increases in noninterest-bearing and total savings deposits, partially offset by a decrease in time deposits. The increase in total deposits includes approximately $10 billion related to the acquisition of deposit balances from State Farm Bank in the fourth quarter of 2020. Average total deposits in 2020 increased $51.8 billion (14.9 percent) over 2019.

Noninterest-bearing deposits at December 31, 2020, increased $42.5 billion (56.2 percent) from December 31, 2019. Average noninterest-bearing deposits increased $24.7 billion (33.4 percent) in 2020, compared with 2019, reflecting increases across all business lines.

Interest-bearing savings deposits increased $37.6 billion (15.4 percent) at December 31, 2020, compared with December 31, 2019. The increase was related to higher interest checking, savings and money market deposit balances. Interest checking balances increased $19.9 billion (26.3 percent) primarily due to higher Consumer and Business Banking, and Wealth Management and Investment Services balances. Savings account balances increased $9.6 billion (20.3 percent), driven by higher Consumer and Business Banking balances. Money market deposit balances increased $8.0 billion (6.6 percent), primarily due to higher Consumer and Business Banking, and Wealth Management and Investment Services balances. Average interest-bearing savings deposits in 2020 increased $33.7 billion (14.7 percent), compared with 2019, reflecting higher Consumer and Business Banking, Corporate and Commercial Banking, and Wealth Management and Investment Services balances.

The growth in noninterest-bearing and total savings deposits was primarily a result of the economic impact of the COVID-19 pandemic on the world economy resulting in actions by the federal government to increase liquidity in the financial system, customers maintaining balance sheet liquidity by utilizing existing credit facilities and government stimulus programs. The increase in noninterest-bearing deposits in Payment Services was driven by state unemployment distributions on prepaid debit cards.

Interest-bearing time deposits at December 31, 2020, decreased $12.2 billion (28.4 percent), compared with December 31, 2019. Average time deposits decreased $6.5 billion (14.7 percent) in 2020, compared with 2019. The decreases were primarily driven by a decrease in those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics, partially offset by an increase in Consumer and Business Banking balances reflecting the acquisition of deposit balances from State Farm Bank during 2020.

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 $11.8 billion at December 31, 2020, compared with $23.7 billion at December 31, 2019. The $11.9 billion (50.4 percent) decline in short-term borrowings was primarily due to decreases in short-term Federal Home Loan Bank ("FHLB") advances, commercial paper and other short-term borrowings balances, partially offset by higher repurchase agreement balances.

Long-term debt was $41.3 billion at December 31, 2020, compared with $40.2 billion at December 31, 2019. The $1.1 billion (2.8 percent) increase was primarily due to $3.3 billion of bank note and $2.8 billion of medium-term note issuances, partially offset by $4.5 billion of bank note repayments and maturities, and $1.2 billion of medium-term note repayments.

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. Leveraging the Company's risk management framework, the specific impacts of COVID-19 and related risks are identified for each of the most prominent exposures. With respect to direct impacts from COVID-19, oversight and governance is managed through a centralized command center with frequent reporting to the Managing Committee and ERC. The Board of Directors also oversees the Company's responsiveness to the COVID-19 pandemic. Credit risk is the risk of loss associated with a change in the credit profile or the failure of a borrower or counterparty to meet its contractual obligations. 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 to current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, people (including human errors or misconduct), 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, financial losses, and reputational damage if it fails to adhere to compliance requirements and the Company's compliance policies. 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 relationships or services, or continue serving existing 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 credit risk has been identified. Loans with a special mention or classified rating, including consumer lending and small business 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 first lien position on nonaccrual, 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. 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, as well as macroeconomic factors such as unemployment rates, gross domestic product levels, corporate bond spreads and long-term interest rates, all of which have been impacted by the COVID-19 pandemic. 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, 2020, substantially all of the Company’s home equity lines were in the draw period. Approximately $1.3 billion, or 12 percent, of the outstanding home equity line balances at December 31, 2020, 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, consumer bankruptcy filings and other macroeconomic 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 and other risk characteristics, including elevated risk resulting from the COVID-19 pandemic, 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 levels and consumer bankruptcy filings, as well as the potential impact on customers and the domestic economy resulting from the COVID-19 pandemic.

During the first half of 2020, the COVID-19 pandemic and the mitigation efforts put in place by companies, consumers and governmental authorities to contain it created the most severe negative impact to the domestic and global economies since the Great Depression. Beginning in the late first quarter and continuing into the second quarter of 2020, the gross domestic product declined substantially, while unemployment claims rose significantly. During the second half of the year, economic conditions began to moderate as economic projections for both the gross domestic product and unemployment levels improved from the second quarter. Although spending on many services continues to lag pre-pandemic levels, the rebound in the gross domestic product has been broad based across many industries. However, economic growth slowed somewhat in the fourth quarter as the number of COVID-19 cases increased and certain mitigation efforts were re-instated. Although a significant level of uncertainty exists related to future economic growth, economic activity is currently expected to remain at lower levels during the first half of 2021 and begin to grow in the second half of the year.

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 2020.

The commercial loan class is diversified among various industries with higher concentrations in real estate, financial institutions, healthcare, personal, professional and commercial services, media and entertainment, and retail. Additionally, the commercial loan class is diversified across the Company's geographical markets with 62.6 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, oil and gas, and state and municipal government. 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, 2020 and 2019.

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, 2020 and 2019. At December 31, 2020, approximately 21.9 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, 2020, 24.6 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 2020 was approximately $431 million in loans related to land held for development and $419 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 82.5 percent of total commercial real estate loans outstanding at December 31, 2020, 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, alliance partnerships, 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 an 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 at December 31, 2020:

Residential Mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	$3,108	$57,562	$60,670	79.6%
Over 80% through 90%	9	4,248	4,257	5.6
Over 90% through 100%	—	432	432	.6
Over 100%	—	120	120	.2
No LTV available	—	15	15	—
Loans purchased from GNMA mortgage pools[(a)]	—	10,661	10,661	14.0
Total[(b)]	$3,117	$73,038	$76,155	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.*

(b) *At December 31, 2020, approximately $517 million of residential mortgage balances were considered sub-prime.*

Home Equity and Second Mortgages (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	$10,062	$ 708	$10,770	86.3%
Over 80% through 90%	937	380	1,317	10.6
Over 90% through 100%	165	42	207	1.7
Over 100%	83	7	90	.7
No LTV/CLTV available	84	4	88	.7
Total[(a)]	$11,331	$1,141	$12,472	100.0%

(a) *At December 31, 2020, approximately $50 million of home equity and second mortgage balances were considered sub-prime.*

Home equity and second mortgages were $12.5 billion at December 31, 2020, compared with $15.0 billion at December 31, 2019, and included $3.5 billion of home equity lines in a first lien position and $9.0 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, 2020, included approximately $3.4 billion of loans and lines for which the Company also serviced the related first lien loan, and approximately $5.6 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, 2020:

	Junior Liens Behind		
(Dollars in Millions)	Company Owned or Serviced First Lien	Third Party First Lien	Total
Total	$3,445	$5,589	$9,034
Percent 30 - 89 days past due	.49%	.53%	.52%
Percent 90 days or more past due	.03%	.07%	.06%
Weighted-average CLTV	66%	63%	64%
Weighted-average credit score	780	778	779

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.

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

At December 31 90 days or more past due excluding nonperforming loans	2020	2019	2018	2017	2016
Commercial					
Commercial	.06%	.08%	.07%	.06%	.06%
Lease financing	–	–	–	–	–
Total commercial	.05	.08	.07	.06	.06
Commercial Real Estate					
Commercial mortgages	–	.01	–	–	.01
Construction and development	.02	–	–	.05	.05
Total commercial real estate	.01	.01	–	.01	.02
Residential Mortgages[(a)]	.18	.17	.18	.22	.27
Credit Card	.88	1.23	1.25	1.28	1.16
Other Retail					
Retail leasing	.05	.05	.04	.03	.02
Home equity and second mortgages	.36	.32	.35	.28	.25
Other	.10	.13	.15	.15	.13
Total other retail	.15	.17	.19	.17	.15
Covered Loans	–	–	–	4.74	5.53
Total loans	.16%	.20%	.20%	.26%	.28%

At December 31 90 days or more past due including nonperforming loans	2020	2019	2018	2017	2016
Commercial	.42%	.27%	.27%	.31%	.57%
Commercial real estate	1.15	.21	.29	.37	.31
Residential mortgages[(a)]	.50	.51	.63	.96	1.31
Credit card	.88	1.23	1.25	1.28	1.18
Other retail	.42	.46	.54	.46	.45
Covered loans	–	–	–	4.93	5.68
Total loans	.57%	.44%	.49%	.62%	.78%

(a) *Delinquent loan ratios exclude $1.8 billion, $1.7 billion, $1.7 billion, $1.9 billion and $2.5 billion at December 31, 2020, 2019, 2018, 2017 and 2016, 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 2.87 percent, 2.92 percent, 3.21 percent, 4.16 percent and 5.73 percent at December 31, 2020, 2019, 2018, 2017, and 2016, 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 GNMA mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of 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 $477 million at December 31, 2020, compared with $605 million at December 31, 2019. 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 0.16 percent at December 31, 2020, compared with 0.20 percent at December 31, 2019.

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 2020	Amount 2019	As a Percent of Ending Loan Balances 2020	As a Percent of Ending Loan Balances 2019
Residential Mortgages[(a)]				
30-89 days	$244	$154	.32%	.22%
90 days or more	137	120	.18	.17
Nonperforming	245	241	.32	.34
Total	$626	$515	.82%	.73%
Credit Card				
30-89 days	$231	$321	1.04%	1.30%
90 days or more	197	306	.88	1.23
Nonperforming	—	—	—	—
Total	$428	$627	1.92%	2.53%
Other Retail				
Retail Leasing				
30-89 days	$ 35	$ 45	.43%	.53%
90 days or more	4	4	.05	.05
Nonperforming	13	13	.16	.15
Total	$ 52	$ 62	.64%	.73%
Home Equity and Second Mortgages				
30-89 days	$ 68	$ 77	.54%	.51%
90 days or more	45	48	.36	.32
Nonperforming	107	116	.86	.77
Total	$220	$241	1.76%	1.60%
Other[(b)]				
30-89 days	$215	$271	.60%	.81%
90 days or more	37	45	.10	.13
Nonperforming	34	36	.09	.11
Total	$286	$352	.79%	1.05%

(a) Excludes $1.4 billion of loans 30-89 days past due and $1.8 billion of loans 90 days or more past due at December 31, 2020, purchased from GNMA mortgage pools that continue to accrue interest, compared with $428 million and $1.7 billion at December 31, 2019, 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, 2020, performing TDRs were $3.6 billion, compared with $3.8 billion, $3.9 billion, $4.0 billion and $4.2 billion at December 31, 2019, 2018, 2017 and 2016, respectively.

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.

Loan modifications or concessions granted to customers resulting directly from the effects of the COVID-19 pandemic, who were otherwise in current payment status, are not considered to be TDRs.

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, 2020 (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	$ 167	6.4%	2.7%	$230[(a)]	$ 397
Commercial real estate	153	12.8	—	174[(b)]	327
Residential mortgages	1,426	5.7	4.6	141	1,567[(d)]
Credit card	234	7.9	4.0	—	234
Other retail	197	12.9	6.7	37[(c)]	234[(e)]
TDRs, excluding loans purchased from GNMA mortgage pools	2,177	7.1	4.2	582	2,759
Loans purchased from GNMA mortgage pools[(g)]	1,434	—	—	—	1,434[(f)]
Total	$3,611	4.3%	2.5%	$582	$4,193

(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 $272 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and $33 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(e) Includes $77 million of other retail loans to borrowers that have had debt discharged through bankruptcy and $16 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(f) Includes $150 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 $277 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(g) Approximately 12.3 percent and 41.0 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 and Other Loan Modifications The Company makes short-term and other modifications that it does not consider to be TDRs, in limited circumstances, to assist borrowers experiencing temporary hardships. Short-term consumer lending modification 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.

COVID-19 Payment Relief The Company has offered payment relief, including forbearance, payment deferrals and other customer accommodations, to assist borrowers that have experienced financial hardship resulting from the effects of the COVID-19 pandemic. The majority of these borrowers were not delinquent on payments at the time they received the payment relief. From March 2020 through December 31, 2020, the Company had approved approximately 365,000 loan modifications for these borrowers, representing approximately $27.2 billion. The loans modified consisted primarily of payment forbearance or deferrals of 90 days or less. A portion of the borrowers who received account modifications are no longer participating in these payment relief programs, as the programs are generally short-term; and at December 31, 2020, approximately 83,000 accounts, representing $10.1 billion, were currently in an active payment relief program. The recognition of delinquent or nonaccrual loans and loan net charge-offs may be delayed for those customers enrolled in these payment relief programs who would have otherwise moved into past due or nonaccrual status, as these customer accounts do not continue to age during the period the payment delay is provided.

The following table summarizes borrowers enrolled in payment relief programs as a result of the COVID-19 pandemic at December 31, 2020, as a percentage of the Company's loans and loan balances:

	Percentage of Loan Accounts in Payment Relief Programs	Percentage of Loan Balances in Payment Relief Programs	Program Details
Commercial	.11%	.13%	Primarily 3 month payment deferral up to a maximum of 6 months; interest continues to accrue with various payment options; may include short-term covenant waivers
Commercial real estate	.52	.78	Primarily 3 month payment deferral up to a maximum of 6 months; interest continues to accrue with various payment options; may include short-term covenant waivers
Residential mortgages[(a)]	3.00	4.21	Primarily 6 month payment forbearance, which may be extended up to 12 months; interest continues to accrue; cumulative payments suspended during forbearance period are either paid-off immediately or under a short-term repayment plan, or addressed through a permanent loan modification that either requires repayment at maturity or through restructured payments over time
Credit cards	.18	.38	Primarily 3 month payment deferral; interest continues to accrue
Other retail	.62	.98	Home equity loan programs are similar to residential mortgage programs; programs for other loan portfolios are primarily 2 month payment deferral up to a maximum of 4 months; interest continues to accrue
Total loans[(a)]	.31%	1.36%	

Note: Payment relief generally includes payment deferrals, forbearances, extensions and re-ages, and excludes loans made under the Small Business Administration's ("SBA") Paycheck Protection Program, as amounts due under that program are expected to be fully forgiven by the SBA.

(a) Excludes 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. At December 31, 2020, 52.12 percent of the total number of accounts and 55.71 percent of the total loan balances of loans purchased from GNMA mortgage pools were to borrowers enrolled in payment relief programs as a result of the COVID-19 pandemic. Including these loans, 13.61 percent of the total number of accounts and 11.42 percent of the total balances of residential mortgages were to borrowers enrolled in payment relief programs as result of the COVID-19 pandemic. Including these loans, .61 percent of the total number of accounts and 3.35 percent of the total balances of all loans were to borrowers enrolled in payment relief programs as result of the COVID-19 pandemic.

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, other real estate owned ("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, 2020, total nonperforming assets were $1.3 billion, compared with $829 million at December 31, 2019. The $469 million (56.6 percent) increase in nonperforming assets, from December 31, 2019 to December 31, 2020, was driven by increases in nonperforming commercial and commercial real estate loans. The ratio of total nonperforming assets to total loans and other real estate was 0.44 percent at December 31, 2020, compared with 0.28 percent at December 31, 2019. The Company expects nonperforming assets to remain elevated given current economic conditions.

OREO was $24 million at December 31, 2020, compared with $78 million at December 31, 2019, 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)	2020	2019	2018	2017	2016
Commercial					
Commercial	$ 321	$172	$186	$ 225	$ 443
Lease financing	54	32	23	24	40
Total commercial	375	204	209	249	483
Commercial Real Estate					
Commercial mortgages	411	74	76	108	87
Construction and development	39	8	39	34	37
Total commercial real estate	450	82	115	142	124
Residential Mortgages[b]	245	241	296	442	595
Credit Card	—	—	—	1	3
Other Retail					
Retail leasing	13	13	12	8	2
Home equity and second mortgages	107	116	145	126	128
Other	34	36	40	34	27
Total other retail	154	165	197	168	157
Covered Loans	—	—	—	6	6
Total nonperforming loans	1,224	692	817	1,008	1,368
Other Real Estate[c]	24	78	111	141	186
Covered Other Real Estate	—	—	—	21	26
Other Assets	50	59	61	30	23
Total nonperforming assets	$1,298	$829	$989	$1,200	$1,603
Accruing loans 90 days or more past due[b]	$ 477	$605	$584	$ 720	$ 764
Nonperforming loans to total loans	.41%	.23%	.28%	.36%	.50%
Nonperforming assets to total loans plus other real estate[c]	.44%	.28%	.34%	.43%	.59%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Residential Mortgages, Credit Card and Other Retail	Total
Balance December 31, 2019	$ 321	$ 508	$ 829
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	1,428	264	1,692
Advances on loans	15	1	16
Total additions	1,443	265	1,708
Reductions in nonperforming assets			
Paydowns, payoffs	(314)	(123)	(437)
Net sales	(237)	(63)	(300)
Return to performing status	(19)	(118)	(137)
Charge-offs[d]	(340)	(25)	(365)
Total reductions	(910)	(329)	(1,239)
Net additions to (reductions in) nonperforming assets	533	(64)	469
Balance December 31, 2020	$ 854	$ 444	$ 1,298

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

(b) Excludes $1.8 billion, $1.7 billion, $1.7 billion, $1.9 billion, and $2.5 billion at December 31, 2020, 2019, 2018, 2017 and 2016, 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 $33 million, $155 million, $235 million, $267 million and $373 million at December 31, 2020, 2019, 2018, 2017 and 2016, 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 2020	Amount 2019	As a Percent of Ending Loan Balances 2020	As a Percent of Ending Loan Balances 2019
Residential				
Minnesota	$ 3	$ 6	.05%	.10%
California	2	7	.01	.03
New York	2	6	.17	.66
Illinois	2	10	.04	.22
Oregon	2	4	.07	.12
All other states	12	41	.03	.09
Total residential	23	74	.03	.09
Commercial				
Iowa	1	—	.04	—
California	—	3	—	.01
All other states	—	1	—	—
Total commercial	1	4	—	—
Total	$24	$78	.01%	.03%

Analysis of Loan Net Charge-offs Total loan net charge-offs were $1.8 billion in 2020, compared with $1.5 billion in 2019. The $332 million (22.8 percent) increase in total net charge-offs in 2020, compared with 2019, reflected higher commercial and commercial real estate loan net charge-offs, partially offset by a decrease in credit card loan net charge-offs. The ratio of total loan net charge-offs to average loans outstanding was 0.58 percent in 2020, compared with 0.50 percent in 2019.

Commercial and commercial real estate loan net charge-offs for 2020 were $700 million (0.45 percent of average loans outstanding), compared with $299 million (0.21 percent of average loans outstanding) in 2019. The increase in net charge-offs in 2020, compared with 2019, reflected higher charge-offs as a result of deteriorating economic conditions in 2020.

Residential mortgage loan net charge-offs for 2020 reflected a net recovery of $12 million (0.02 percent of average loans outstanding), compared with $3 million of net charge-offs in 2019. Credit card loan net charge-offs in 2020 were $829 million (3.71 percent of average loans outstanding), compared with $893 million (3.83 percent of average loans outstanding) in 2019. Other retail loan net charge-offs for 2020 were $269 million (0.47 percent of average loans outstanding), compared with $259 million (0.45 percent of average loans outstanding) in 2019. The decrease in total residential mortgage, credit card and other retail loan net charge-offs in 2020, compared with 2019, reflected lower credit card and residential mortgage loan charge-offs, partially offset by higher retail leasing charge-offs due to the inclusion of end of term losses on residual lease values as of January 1, 2020.

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

Year Ended December 31	2020	2019	2018	2017	2016
Commercial					
Commercial	.45%	.28%	.25%	.27%	.35%
Lease financing	.54	.22	.25	.31	.34
Total commercial	.45	.28	.25	.28	.35
Commercial Real Estate					
Commercial mortgages	.62	.04	(.06)	.03	(.01)
Construction and development	.02	.02	(.02)	(.07)	(.08)
Total commercial real estate	.46	.04	(.05)	—	(.03)
Residential Mortgages	(.02)	—	.03	.06	.11
Credit Card	3.71	3.83	3.90	3.76	3.30
Other Retail					
Retail leasing	.96	.15	.15	.14	.09
Home equity and second mortgages	(.03)	(.02)	(.02)	(.03)	.01
Other	.56	.76	.79	.75	.71
Total other retail	.47	.45	.46	.44	.42
Total loans	.58%	.50%	.48%	.48%	.47%

Analysis and Determination of the Allowance for Credit Losses
Prior to January 1, 2020, 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 changed previous impairment recognition to a model that is based on expected losses rather than incurred losses. The allowance considers expected losses for the remaining lives of the applicable assets, inclusive of expected recoveries. 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. Multiple economic scenarios are considered over a three-year reasonable and supportable forecast period, which incorporates historical loss experience in years two and three. These economic scenarios are constructed with interrelated projections of multiple economic variables, and loss estimates are produced that consider the historical correlation of those economic variables with credit losses. After the forecast period, the Company fully reverts to long-term historical loss experience, adjusted for prepayments and characteristics of the current loan and lease portfolio, to estimate losses over the remaining life of the portfolio. The economic scenarios are updated at least quarterly and are designed to provide a range of reasonable estimates, which are both better and worse than current expectations. Scenarios are weighted based on the Company's expectation of economic conditions for the foreseeable future and reflect significant judgment and consider uncertainties that exist. Final loss estimates also consider factors affecting credit losses not reflected in the scenarios, due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to, loan servicing practices, regulatory guidance, and/or fiscal and monetary policy actions. 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.

The allowance recorded for credit losses utilizes forward-looking expected loss models to consider a variety of factors affecting lifetime credit losses. These factors include, but are not limited to, macroeconomic variables such as unemployment rates, real estate prices, gross domestic product levels, corporate bonds spreads and long-term interest rate forecasts, as well as loan and borrower characteristics, such as internal risk ratings on commercial loans and consumer credit scores, delinquency status, collateral type and available valuation information, consideration of end-of-term losses on lease residuals, and the remaining term of the loan, adjusted for expected prepayments. For each loan portfolio, model estimates are adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices, economic conditions or other factors that may affect the accuracy of the model. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral-dependent loans where recovery is expected through sale of the collateral. Where loans do not exhibit similar risk characteristics, an individual analysis is performed to consider expected credit losses.

The allowance recorded for individually evaluated loans greater than $5 million in the commercial lending segment is based on an 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 as appropriate. 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

TABLE 18 Summary of Allowance for Credit Losses

(Dollars in Millions)	2020	2019	2018	2017	2016
Balance at beginning of year	$4,491	$4,441	$4,417	$4,357	$4,306
Change in accounting principle[(a)]	1,499	–	–	–	–
Charge-Offs					
Commercial					
Commercial	536	380	328	387	388
Lease financing	39	19	22	27	29
Total commercial	575	399	350	414	417
Commercial real estate					
Commercial mortgages	202	17	6	28	12
Construction and development	8	4	3	2	10
Total commercial real estate	210	21	9	30	22
Residential mortgages	19	34	48	65	85
Credit card	975	1,028	970	887	759
Other retail					
Retail leasing	101	24	21	16	9
Home equity and second mortgages	16	19	25	31	40
Other	284	342	337	308	283
Total other retail	401	385	383	355	332
Total charge-offs	2,180	1,867	1,760	1,751	1,615
Recoveries					
Commercial					
Commercial	53	107	91	140	81
Lease financing	9	7	8	10	11
Total commercial	62	114	99	150	92
Commercial real estate					
Commercial mortgages	17	5	23	20	16
Construction and development	6	2	5	10	19
Total commercial real estate	23	7	28	30	35
Residential mortgages	31	31	31	28	25
Credit card	146	135	124	101	83
Other retail					
Retail leasing	20	11	9	6	4
Home equity and second mortgages	20	22	28	36	39
Other	92	93	87	70	68
Total other retail	132	126	124	112	111
Total recoveries	394	413	406	421	346
Net Charge-Offs					
Commercial					
Commercial	483	273	237	247	307
Lease financing	30	12	14	17	18
Total commercial	513	285	251	264	325
Commercial real estate					
Commercial mortgages	185	12	(17)	8	(4)
Construction and development	2	2	(2)	(8)	(9)
Total commercial real estate	187	14	(19)	–	(13)
Residential mortgages	(12)	3	17	37	60
Credit card	829	893	846	786	676
Other retail					
Retail leasing	81	13	12	10	5
Home equity and second mortgages	(4)	(3)	(3)	(5)	1
Other	192	249	250	238	215
Total other retail	269	259	259	243	221
Total net charge-offs	1,786	1,454	1,354	1,330	1,269
Provision for credit losses	3,806	1,504	1,379	1,390	1,324
Other changes	–	–	(1)	–	(4)
Balance at end of year	$8,010	$4,491	$4,441	$4,417	$4,357
Components					
Allowance for loan losses	$7,314	$4,020	$3,973	$3,925	$3,813
Liability for unfunded credit commitments	696	471	468	492	544
Total allowance for credit losses	$8,010	$4,491	$4,441	$4,417	$4,357
Allowance for Credit Losses as a Percentage of					
Period-end loans	2.69%	1.52%	1.55%	1.58%	1.59%
Nonperforming loans	654	649	544	438	318
Nonperforming and accruing loans 90 days or more past due	471	346	317	256	204
Nonperforming assets	617	542	449	368	272
Net charge-offs	448	309	328	332	343

(a) Effective January 1, 2020, the Company adopted accounting guidance which changed impairment recognition of financial instruments to a model that is based on expected losses rather than incurred losses.

TABLE 19 Allocation of the Allowance for Credit Losses

At December 31 (Dollars in Millions)	Allowance Amount 2020	2019	2018	2017	2016	Allowance as a Percent of Loans 2020	2019	2018	2017	2016
Commercial										
Commercial	$2,344	$1,413	$1,388	$1,298	$1,376	2.41%	1.44%	1.43%	1.41%	1.56%
Lease financing	79	71	66	74	74	1.42	1.25	1.18	1.32	1.36
Total commercial	2,423	1,484	1,454	1,372	1,450	2.36	1.43	1.42	1.41	1.55
Commercial Real Estate										
Commercial mortgages	894	272	269	295	282	3.14	.93	.94	1.00	.89
Construction and development	650	527	531	536	530	6.00	5.10	4.85	4.83	4.61
Total commercial real estate	1,544	799	800	831	812	3.93	2.01	2.02	2.05	1.88
Residential Mortgages	573	433	455	449	510	.75	.61	.70	.75	.89
Credit Card	2,355	1,128	1,102	1,056	934	10.54	4.55	4.72	4.76	4.29
Other Retail										
Retail leasing	252	78	25	21	11	3.09	.92	.29	.26	.17
Home equity and second mortgages	349	232	265	298	300	2.80	1.54	1.64	1.83	1.83
Other	514	337	340	359	306	1.41	1.00	1.07	1.09	.98
Total other retail	1,115	647	630	678	617	1.96	1.13	1.12	1.18	1.15
Covered Loans	–	–	–	31	34	–	–	–	.99	.89
Total allowance	$8,010	$4,491	$4,441	$4,417	$4,357	2.69%	1.52%	1.55%	1.58%	1.59%

also incorporated into the allowance methodology applied to this category of loans. Commercial lending segment TDR loans may be collectively evaluated for impairment where observed performance history, including defaults, is a primary driver of the loss allocation.

The allowance recorded for TDR 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. The expected cash flows on TDR loans consider subsequent payment defaults since modification, the borrower's ability to pay under the restructured terms, and the timing and amount of payments. The allowance for collateral-dependent loans in the consumer lending segment is determined based on the current fair value of the collateral less costs to sell.

When evaluating the appropriateness of the allowance for credit losses for any loans and lines in a junior lien position, the Company considers the delinquency and modification status of the first lien. At December 31, 2020, the Company serviced the first lien on 38 percent of the home equity loans and lines in a junior lien position. The Company also considers the status of first lien mortgage accounts reported on customer credit bureau files when the first lien is not serviced by the Company. Regardless of whether the Company services the first lien, an assessment is 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 $209 million or 1.7 percent of its total home equity portfolio at December 31, 2020, represented non-delinquent junior liens where the first lien was delinquent or modified, excluding loans in COVID-related forbearance programs.

The Company considers historical loss experience on the loans and lines in a junior lien position to establish loss estimates for junior lien loans and lines the Company services that are current, but the first lien is delinquent or modified. The historical long-term average loss experience related to junior liens has been relatively limited (less than 1 percent of the total portfolio annually), and estimates are adjusted to consider current collateral support and portfolio risk characteristics. These include updated credit scores and collateral estimates obtained on the Company's home equity portfolio each quarter. In its evaluation of the allowance for credit losses, the Company also considers 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.

Beginning January 1, 2020, when a loan portfolio is purchased, the acquired loans are divided into those considered purchased with more than insignificant credit deterioration ("PCD") and those not considered purchased with more than insignificant credit deterioration. An allowance is established for each population and considers product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status and refreshed LTV ratios when possible. The allowance established for purchased loans not considered PCD is recognized through provision expense upon acquisition, whereas the allowance established for loans considered PCD at acquisition is offset by an increase in the basis of the acquired loans. Any subsequent increases and decreases in the allowance related to purchased loans, regardless of PCD status, are recognized through provision expense, with charge-offs charged to the allowance. The Company did not have a material amount of PCD loans included in its loan portfolio at December 31, 2020.

The Company's methodology for determining the appropriate allowance for credit losses also considers the imprecision inherent in the methodologies used and allocated to the various loan portfolios. As a result, amounts determined under the methodologies described above are adjusted by management to consider the potential impact of other qualitative factors not captured in quantitative model adjustments which include, but are not limited to, the following: model imprecision, imprecision in economic scenario assumptions, and emerging risks related to either changes in the economic environment that are affecting specific portfolios, or changes in portfolio concentrations over time that may affect model performance. The consideration of these items results in adjustments to allowance amounts included in the Company's allowance for credit losses for each loan portfolio.

The results of the analysis are evaluated quarterly to confirm the estimates are appropriate for each loan portfolio. 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.

At December 31, 2020, the allowance for credit losses was $8.0 billion (2.69 percent of period-end loans), compared with an allowance of $4.5 billion (1.52 percent of period-end loans) at December 31, 2019. The ratio of the allowance for credit losses to nonperforming loans was 654 percent at December 31, 2020, compared with 649 percent at December 31, 2019. The ratio of the allowance for credit losses to annual loan net charge-offs at December 31, 2020, was 448 percent, compared with 309 percent at December 31, 2019. Management determined the allowance for credit losses was appropriate at December 31, 2020.

The increase in the allowance for credit losses of $3.5 billion (78.4 percent) at December 31, 2020, compared with December 31, 2019, reflected the $1.5 billion impact of the January 1, 2020 adoption of new accounting guidance, along with an additional $2.0 billion increase during 2020 to recognize the expected losses resulting from the deteriorating and ongoing effects of adverse economic conditions driven by the impact of COVID-19 on the domestic and global economies, as well as new loan production and acquired loans. Expected loss estimates consider various factors including the changing economic activity, potential mitigating effects of government stimulus, estimated duration and severity of the health crisis, customer specific information impacting changes in risk ratings, projected delinquencies and the impact of industry-wide loan modification efforts designed to limit long-term effects of the COVID-19 pandemic, among other factors.

Changes in economic conditions in 2020 included significant reductions in economic activity related to actions taken by customers and governmental authorities to slow the spread of COVID-19. Levels of employment and overall gross domestic product in the United States declined significantly with the initial wave of the pandemic, and had not fully recovered at December 31, 2020, which contributed to the increase in expected credit losses. At the same time, record economic stimulus measures were also enacted, and additional measures are being considered, with the intent to support businesses and consumers through what is expected to be a period of reduced economic activity. These competing positive and negative factors are evaluated through a combination of quantitative calculations using economic scenarios and qualitative assessments that consider the high degree of uncertainty related to the unprecedented levels of both economic stress and the stimulus response.

The following table summarizes the baseline forecast for key economic variables the Company used in its estimate of the allowance for credit losses at January 1, 2020 and December 31, 2020:

	January 1, 2020	December 31, 2020
United States unemployment rate for the three months ending[(a)]		
December 31, 2020	4.0%	6.7%
June 30, 2021	4.0	7.1
December 31, 2021	4.0	6.8
United States real gross domestic product for the three months ending[(b)]		
December 31, 2020	1.2%	(2.5)%
June 30, 2021	2.2	(1.1)
December 31, 2021	2.9	1.5

(a) Reflects quarterly average of forecasted reported United States unemployment rate.
(b) Reflects cumulative change from December 31, 2019.

Baseline economic forecasts are used in combination with alternative scenarios and historical loss experience as is considered reasonable and supportable to inform the Company's allowance for credit losses. Changes in the allowance for credit losses are based on a variety of factors, including loan balance changes, portfolio credit quality and mix changes, and changes in general economic conditions and expectations (including for unemployment and gross domestic product), among other factors. Based on economic conditions at December 31, 2020, it was difficult to estimate the length and severity of the economic downturn that may result from COVID-19 and the impact of other factors that may influence the level of eventual losses and corresponding requirements for the allowance for credit losses, including the impact of economic stimulus programs and customer accommodation activity. While reserves consider the uncertainty in these estimates, the unpredictability of the COVID-19 pandemic could continue to result in the recognition of credit losses in the Company's loan portfolios and changes in the allowance for credit losses, particularly if the economy worsens.

The allowance for credit losses related to commercial lending segment loans increased $1.4 billion during the year ended December 31, 2020, as increased loan volume and credit downgrades during the period reflected the impact of COVID-19 on certain industry sectors, including the retail and restaurants, energy, media and entertainment, lodging and airline industries that were severely impacted by virus containment measures.

The following table summarizes the Company's commercial lending segment credit exposure to customers within the industry sectors most impacted by COVID-19, as a percentage of total loans and legal commitments outstanding at December 31, 2020:

	Loans	Outstanding Commitments
Retail	3.8%	5.2%
Energy (includes Oil and gas)	.9	2.2
Media and entertainment	2.0	2.2
Lodging	1.3	1.0
Airline	.3	.5

The allowance for credit losses related to consumer lending segment loans increased $592 million during the year ended December 31, 2020, as higher economic risks, including those due to increased unemployment, and increases in expected losses related to acquired portfolios were partially mitigated by strong underlying credit quality that supports expectations of long-term repayment, and the decline in funded loan balances.

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 $6.3 billion of retail leasing residuals at December 31, 2020, compared with $6.6 billion at December 31, 2019. The Company monitors concentrations of leases by manufacturer and vehicle type. As of December 31, 2020, vehicle lease residuals related to sport utility vehicles were 46.3 percent of the portfolio, while truck and crossover utility vehicle classes represented approximately 32.8 percent and 14.3 percent of the portfolio, respectively. At year-end 2020, the individual vehicle model with the largest residual value outstanding represented 13.2 percent of the aggregate residual value of all vehicles in the portfolio. At December 31, 2020 and 2019, the weighted-average origination term of the portfolio was 41 months. At December 31, 2020, the commercial leasing portfolio had $498 million of residuals, compared with $481 million at December 31, 2019. At year-end 2020, lease residuals related to trucks and other transportation equipment represented 32.2 percent of the total residual portfolio, while business and office equipment represented 32.1 percent.

Operational Risk Management. 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, including those additional or increased risks created by the economic and financial disruptions, and the Company's alternative working arrangements resulting from the COVID-19 pandemic. 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, including those created or increased by the economic and financial disruptions caused by the COVID-19 pandemic. 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 models and assumptions based on historical information and expected behaviors, actual outcomes could vary significantly.

TABLE 20 Sensitivity of Net Interest Income

	December 31, 2020				December 31, 2019			
	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	(4.48)%	4.58%	*	6.57%	(1.43)%	.83%	*	.21%

* *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 and available-for-sale investment securities 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, 2020, to an immediate 25, 50 and 100 bps downward movement in interest rates would be a decrease of approximately $5 million, an increase of $10 million and an increase of $81 million, respectively. An immediate upward movement in interest rates at December 31, 2020, of 25, 50 and 100 bps would result in an increase of approximately $20 million, $39 million and $46 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, 2020, the Company had $15.0 billion of forward commitments to sell, hedging $7.0 billion of MLHFS and $12.0 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, including consideration of the COVID-19 pandemic. 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. In November 2020, the Intercontinental Exchange Benchmark Administration, which is the administrator of LIBOR, proposed to cease the publication of all non-United States Dollar LIBOR rates and one week and two month United States Dollar LIBOR rates on December 31, 2021, but extend the publication of the remainder of United States Dollar LIBOR rates until June 30, 2023. 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 time 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. During 2020, the Company began modifying its systems, models, procedures and internal infrastructure to be prepared to accept alternative reference rates. The Company also adopted industry best practice guidelines for fallback language for new transactions, converted its cleared interest rate swaps discounting to Secured Overnight Financing Rate discounting, and distributed communications to certain impacted parties, both inside and outside the Company, on the transition. 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)	2020	2019
Average	$2	$1
High	3	2
Low	1	1
Period-end	2	1

Given the market volatility in the first quarter of 2020 resulting from effects of the COVID-19 pandemic, the Company experienced actual losses for its combined Covered Positions that exceeded VaR five times during the year ended December 31, 2020. The Company did not experience any actual losses for its combined Covered Positions that exceeded VaR during 2019. 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)	2020	2019
Average	$6	$6
High	8	9
Low	4	4
Period-end	5	5

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)	2020	2019
Residential Mortgage Loans Held For Sale and Related Hedges		
Average	$10	$ 3
High	22	8
Low	2	–
Mortgage Servicing Rights and Related Hedges		
Average	$19	$ 7
High	54	11
Low	1	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, 2020, the fair value of unencumbered investment securities totaled $125.9 billion, compared with $114.2 billion at December 31, 2019. 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, 2020, the Company could have borrowed a total of an additional $96.5 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 $429.8 billion at December 31, 2020, compared with $361.9 billion at December 31, 2019. 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 $41.3 billion at December 31, 2020, 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 $11.8 billion at December 31, 2020, and supplement the Company's other funding sources. Refer to Note 12 of the Notes to Consolidated Financial Statements and "Balance Sheet Analysis" for further 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.

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+	A+	AA
Subordinated debt	A1	A-1	A	AA (low)
Junior subordinated debt	A2			
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		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			

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 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, 2020, parent company long-term debt outstanding was $20.9 billion, compared with $18.6 billion at December 31, 2019. The increase was primarily due to $2.8 billion of medium-term note issuances, partially offset by $1.2 billion of medium-term note repayments. As of December 31, 2020, there was $1.5 billion of parent company debt scheduled to mature in 2021. 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, 2020, 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 2020. 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

TABLE 22 Contractual Obligations

At December 31, 2020 (Dollars in Millions)	One Year or Less	Over One Through Three Years	Over Three Through Five Years	Over Five Years	Total
	Payments Due By Period				
Contractual Obligations[(a)]					
Long-term debt[(b)]	$ 7,266	$11,480	$11,821	$10,730	$41,297
Operating leases	290	463	266	344	1,363
Benefit obligations[(c)]	32	68	109	204	413
Time deposits	23,808	5,065	1,819	2	30,694
Contractual interest payments[(d)]	1,274	1,272	719	597	3,862
Equity investment commitments	1,592	577	139	58	2,366
Other[(e)]	339	90	22	92	543
Total	$34,601	$19,015	$14,895	$12,027	$80,538

(a) Unrecognized tax positions of $474 million at December 31, 2020, 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 include obligations related to the unfunded non-qualified pension plan and postretirement welfare plan.
(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.

deposits at multiple banks and managing the amounts on deposit at any bank based on institution-specific deposit limits. At December 31, 2020, the Company had an aggregate amount on deposit with European banks of approximately $10.9 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 further 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, 2020 were $344.2 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, 2020 were $10.4 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, 2020 was approximately $3.0 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 $35 million at December 31, 2020, and the Company had unfunded commitments to invest an additional $22 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.

The Company repurchased approximately 31 million shares of its common stock in 2020, compared with approximately 81 million shares in 2019. The average price paid for the shares repurchased in 2020 was $53.32 per share, compared with $55.88 per share in 2019. Beginning in March and continuing through the remainder of 2020, the Company suspended all common stock repurchases except for those done exclusively in connection with its stock-based compensation programs. This action was initially taken by the Company to maintain strong capital levels given the impact and uncertainties of COVID-19 on the economy and global markets. Due to continued economic uncertainty, the Federal Reserve Board implemented measures beginning in the third quarter of 2020 and extending through the first quarter of 2021, restricting capital distributions of all large bank holding companies, including the Company. These restrictions initially included capping common stock dividends at existing rates and restricting share repurchases, and currently limit the aggregate amount of common stock dividends and share repurchases to an amount that does not exceed the average net income of the four preceding calendar quarters. On December 22, 2020, the Company announced that it had received its results on the December 2020 Stress Test from the Federal Reserve Board. Based on those results, the Company announced that its Board of Directors had approved an authorization to repurchase $3.0 billion of its common stock beginning January 1, 2021. The Company will continue to monitor the economic environment and will adjust its capital distributions as circumstances warrant. Additional capital distributions are subject to the approval of the Company's Board of Directors, and will be consistent with regulatory requirements. 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 $53.1 billion at December 31, 2020, compared with $51.9 billion at December 31, 2019. 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 a reduction to retained earnings due to the January 1, 2020 adoption of accounting guidance related to the impairment of financial instruments, dividends and common share repurchases.

The regulatory capital requirements effective for the Company follow Basel III, with the Company being subject to calculating its capital adequacy as a percentage of risk-weighted assets under the standardized approach. 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, 2020, which include a stress capital 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, 2020, the minimum "well-capitalized" thresholds under the prompt corrective action framework 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. During 2020, the Company elected to adopt a rule issued during 2020 by its regulators which permits banking organizations who adopt accounting guidance related to the impairment of financial instruments based on the current expected credit losses ("CECL") methodology during 2020, the option to defer the impact of the effect of that guidance at adoption plus 25 percent of its quarterly credit reserve increases over the next two years on its regulatory capital requirements, followed by a three-year transition period to phase in the cumulative deferred impact. As of December 31, 2020, the Company's bank subsidiary met all regulatory capital ratios to be considered "well-capitalized". There are no conditions or events since December 31, 2020 that management believes have changed the risk-based category of its covered subsidiary bank.

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

TABLE 23 Regulatory Capital Ratios

At December 31 (Dollars in Millions)	2020	2019
Basel III standardized approach:		
Common equity tier 1 capital	$ 38,045	$ 35,713
Tier 1 capital	44,474	41,721
Total risk-based capital	52,602	49,744
Risk-weighted assets	393,648	391,269
Common equity tier 1 capital as a percent of risk-weighted assets	9.7%	9.1%
Tier 1 capital as a percent of risk-weighted assets	11.3	10.7
Total risk-based capital as a percent of risk-weighted assets	13.4	12.7
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	8.3	8.8
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	7.3	7.0

Association, Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. At December 31, 2020, 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, 2020 and 2019. All regulatory ratios exceeded regulatory "well-capitalized" requirements.

The Company believes certain other capital ratios are useful in evaluating its capital adequacy. At December 31, 2020, the Company's tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets determined in accordance with transitional regulatory capital requirements related to the CECL methodology under the standardized approach, was 6.9 percent and 9.5 percent, respectively. This compares to the Company's tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets under the standardized approach, of 7.5 percent and 9.3 percent, respectively, at December 31, 2019. In addition, the Company's common equity tier 1 capital to risk-weighted assets ratio, reflecting the full implementation of the CECL methodology was 9.3 percent at December 31, 2020. Refer to "Non-GAAP Financial Measures" beginning on page 64 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 2020, or $0.95 per diluted common share, compared with $1.5 billion, or $0.90 per diluted common share, for the fourth quarter of 2019. Return on average assets and return on average common equity were 1.10 percent and 12.1 percent, respectively, for the fourth quarter of 2020, compared with 1.21 percent and 11.8 percent, respectively, for the fourth quarter of 2019.

Total net revenue for the fourth quarter of 2020, was $84 million (1.5 percent) higher than the fourth quarter of 2019, reflecting a 4.7 percent increase in noninterest income, partially offset by a 1.0 percent decrease in net interest income (0.9 percent on a taxable-equivalent basis). The decrease in net interest income from the fourth quarter of 2019 was primarily due to the impact of lower interest rates from a year ago, partially offset by changes in deposit and funding mix, loan growth and higher loan fees. The noninterest income increase was driven by significant growth in mortgage banking revenue due to refinancing production, growth in commercial products revenue primarily due to commitment fees on unused lines and higher other noninterest income. Growth in these fee categories was partially offset by a decline in payment services revenue and deposit service charges related to lower consumer and business spending.

Noninterest expense in the fourth quarter of 2020 was $37 million (1.1 percent) lower than the fourth quarter of 2019, reflecting the impact of severance charges and other accruals recorded in 2019, partially offset by business investments, costs related to COVID-19 and an increase in revenue-related production expenses in the fourth quarter of 2020.

Fourth quarter 2020 net interest income, on a taxable-equivalent basis, was $3.2 billion, representing a decrease of $30 million (0.9 percent) compared with the fourth quarter of 2019. The decrease was primarily due to the impact of lower interest rates from the prior year, partially offset by changes in deposit and funding mix, loan growth and higher loan fees. The Company expects net interest income to decline slightly in the first quarter of 2021 in part due to seasonally fewer days. Average earning assets were $57.7 billion (13.1 percent) higher in the fourth quarter of 2020, compared with the fourth quarter of 2019, reflecting increases of $7.4 billion (2.5 percent) in average loans, $11.8 billion (9.7 percent) in average investment securities and $34.9 billion in average other earning assets including cash balances being maintained for liquidity given the current economic environment. The net interest margin, on a taxable-equivalent basis, in the fourth quarter of 2020 was 2.57 percent, compared with 2.92 percent in the fourth quarter of 2019. The decrease in net interest margin was primarily due to the impact of a lower yield curve and decisions to maintain higher cash balances for liquidity, partially offset by changes in deposit and funding mix. The Company expects its net interest margin to be relatively stable in the first quarter of 2021.

TABLE 24 Fourth Quarter Results

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended December 31 2020	2019
Condensed Income Statement		
Net interest income	$3,175	$3,207
Taxable-equivalent adjustment[(a)]	26	24
Net interest income (taxable-equivalent basis)[(b)]	3,201	3,231
Noninterest income	2,550	2,436
Total net revenue	5,751	5,667
Noninterest expense	3,364	3,401
Provision for credit losses	441	395
Income before taxes	1,946	1,871
Income taxes and taxable-equivalent adjustment	421	378
Net income	1,525	1,493
Net (income) loss attributable to noncontrolling interests	(6)	(7)
Net income attributable to U.S. Bancorp	$1,519	$1,486
Net income applicable to U.S. Bancorp common shareholders	$1,425	$1,408
Per Common Share		
Earnings per share	$ .95	$ .91
Diluted earnings per share	$ .95	$ .90
Dividends declared per share	$ .42	$ .42
Average common shares outstanding	1,507	1,556
Average diluted common shares outstanding	1,508	1,558
Financial Ratios		
Return on average assets	1.10%	1.21%
Return on average common equity	12.1	11.8
Net interest margin (taxable-equivalent basis)[(a)]	2.57	2.92
Efficiency ratio[(b)]	58.8	60.3

(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 64.

Noninterest income in the fourth quarter of 2020 was $2.6 billion, representing an increase of $114 million (4.7 percent) from the fourth quarter of 2019. The increase reflected higher mortgage banking revenue, commercial products revenue and other noninterest income, partially offset by lower payment services revenue and deposit service charges. Mortgage banking revenue increased $224 million (91.8 percent) due to higher mortgage loan production driven by refinancing activities and stronger gain on sale margins, partially offset by declines in the valuations of MSRs, net of hedging activities. The Company expects mortgage banking revenue to decline in the first quarter of 2021, as compared with the fourth quarter of 2020, in line with the industry, as refinancing activity continues to moderate. Commercial products revenue increased $13 million (5.8 percent) primarily due to higher commercial loan and commercial leasing fees. Other noninterest income increased $73 million (52.9 percent) in the fourth quarter of 2020, compared with the same period of the prior year, reflecting higher retail leasing end of term residual gains, higher tax-advantaged investment syndication revenue and the impact of the fourth quarter of 2019 charge for the increased derivative liability related to Visa shares previously sold by the Company, partially offset by lower equity investment income. The decrease in payment services revenue reflected lower merchant processing services revenue of $98 million (24.0 percent), lower corporate payment products revenue of $32 million (20.3 percent) and lower credit and debit card revenue of $16 million (4.2 percent), all driven by lower sales volume due to the impact of the COVID-19 pandemic on consumer and business spending. The decrease in credit and debit card revenue was partially offset by higher prepaid card fees as a result of government stimulus programs in 2020. Merchant processing services revenue and corporate payments products revenue are expected to decline in the first quarter of 2021, as compared with the first quarter of 2020, reflecting lower travel and hospitality activity due to COVID-19. However, sales volume trends, excluding travel and hospitality, are expected to continue to improve compared to the fourth quarter of 2020, in line with consumer and business spending activity. Credit and debit card revenue is expected to increase in the first quarter of 2021, compared to the first quarter of 2020, as overall increases in sales volume are expected to more than offset lower travel and hospitality activity, and prepaid debit card volumes are expected to be higher due to the impact of government stimulus programs. Deposit service charges decreased $66 million (28.6 percent) primarily due to lower consumer spending activities.

Noninterest expense in the fourth quarter of 2020 was $3.4 billion, representing a decrease of $37 million (1.1 percent) compared with the fourth quarter of 2019. The fourth quarter of 2020 included incremental costs related to the prepaid card business, expenses related to COVID-19, and revenue-related expenses primarily due to higher mortgage production in addition to business investments, including those related to increased digital capabilities. The decrease in noninterest expense in the fourth quarter of 2020, as compared with the same period of the prior year, reflected lower other noninterest expense, net occupancy and equipment expense, professional services expense and marketing and business development expense, partially offset by higher technology and communications expense and compensation expense. Other noninterest expense decreased $102 million (18.9 percent), reflecting the impact of severance charges and other accruals recorded in the fourth quarter of 2019, along with lower costs related to tax-advantaged projects. These decreases in other noninterest expense were partially offset by higher expenses for revenue-related costs and COVID-19, merger-related costs related to acquired deposits and higher state franchise taxes. Net occupancy and equipment expense decreased $17 million (5.9 percent) due to expected branch closures, while professional services expense decreased $16 million (11.5 percent) primarily due to fewer initiatives in 2020. Marketing and business development expense decreased $12 million (10.3 percent) due to a reduction in travel as a result of COVID-19. Technology and communications expense increased $71 million (24.4 percent) primarily due to the impact of increased call center volume related to prepaid cards and capital expenditures supporting business technology investments. Compensation expense in the fourth quarter of 2020 increased $46 million (2.9 percent) over the same period of the prior year, due to merit increases and higher variable compensation related to business production within mortgage banking. The Company expects its noninterest expenses to be relatively stable in the first quarter of 2021, as compared with the fourth quarter of 2020.

The provision for credit losses for the fourth quarter of 2020 was $441 million, an increase of $46 million (11.6 percent) from the same period of 2019. Net charge-offs were $441 million in the fourth quarter of 2020, compared with $385 million in the fourth quarter of 2019. The net charge-off ratio was 0.58 percent in the fourth quarter of 2020, compared with 0.52 percent in the fourth quarter of 2019.

The provision for income taxes was $395 million (an effective rate of 20.6 percent) for the fourth quarter of 2020, compared with $354 million (an effective rate of 19.2 percent) for the same period of 2019.

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 2020, certain organization and methodology changes were made and, accordingly, 2019 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 $1.6 billion of the Company's net income in 2020, or a decrease of $122 million (7.2 percent), compared with 2019.

Net revenue increased $375 million (9.5 percent) in 2020, compared with 2019. Net interest income, on a taxable-equivalent basis, increased $158 million (5.1 percent) in 2020, compared with 2019, primarily due to higher noninterest-bearing and interest-bearing deposits and strong loan growth, partially offset by the impact of declining interest rates on the margin benefit from deposits, changes in loan mix and lower spreads on loans. Noninterest income increased $217 million (25.2 percent) in 2020, compared with 2019, primarily due to higher corporate bond issuance fees and trading revenue as corporate customers accessed the fixed income capital markets for bond issuances, as well as higher commercial loan and commercial leasing fees.

Noninterest expense increased $52 million (3.2 percent) in 2020, compared with 2019, primarily driven by higher compensation expense due to merit increases and variable compensation related to fixed income capital markets business production, higher FDIC insurance expense and higher other noninterest expense driven by legal costs, partially offset by a reduction in travel as a result of COVID-19. The provision for credit losses increased $486 million in 2020, compared with 2019, primarily due to higher net charge-offs, along with an unfavorable change in the reserve allocation based on economic risks related to COVID-19 in the portfolio.

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 $2.8 billion of the Company's net income in 2020, or an increase of $424 million (18.0 percent), compared with 2019.

Net revenue increased $887 million (10.2 percent) in 2020, compared with 2019. Net interest income, on a taxable-equivalent basis, decreased $88 million (1.4 percent) in 2020, compared with 2019, reflecting the impact of declining interest rates on the margin benefit from deposits, partially offset by higher noninterest-bearing and interest-bearing deposit balances, loan growth and higher loan fees driven in part by loans made under the SBA's Paycheck Protection Program and higher GNMA buybacks, in addition to favorable loan spreads. Noninterest income increased $975 million (40.9 percent) in 2020, compared with 2019, primarily due to higher mortgage banking revenue driven by higher mortgage loan production and stronger gain on sale margins, partially offset by declines in the valuation of MSRs, net of hedging activities. Other noninterest income increased primarily due to higher retail leasing end of term residual gains. The increases in noninterest income were partially offset by lower deposit service charges due to lower volume.

Noninterest expense increased $312 million (5.9 percent) in 2020, compared with 2019, primarily due to higher net shared services expense reflecting the impact of investment in infrastructure supporting business growth, higher variable compensation related to strong mortgage banking origination activities and higher other noninterest expense due to increased mortgage loan processing costs, partially offset by a reduction in travel as a result of COVID-19. The provision for credit losses increased $11 million (3.5 percent) in 2020, compared with 2019, due to 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 $714 million of the Company's net income in 2020, or a decrease of $177 million (19.9 percent), compared with 2019.

Net revenue decreased $102 million (3.4 percent) in 2020, compared with 2019. Net interest income, on a taxable-equivalent basis, decreased $176 million (15.0 percent) in 2020, compared with 2019, primarily due to the impact of declining interest rates on the margin benefit from deposits, partially offset by higher interest-bearing and noninterest-bearing deposit balances, and changes in deposit mix. Noninterest income increased $74 million (4.1 percent) in 2020, compared with 2019, primarily due to the impact of favorable market conditions and business growth on trust and investment management fees, partially offset by higher fee waivers related to the money market funds.

Noninterest expense increased $95 million (5.3 percent) in 2020, compared with 2019, reflecting increased net shared services expense due to technology development and higher compensation expense due to the impact of merit increases. In addition, other noninterest expense was higher due to litigation settlements, partially offset by a reduction in travel as a result of COVID-19. The provision for credit losses increased $41 million in 2020, compared with 2019, reflecting an unfavorable change in the reserve allocation driven by downgrades within the loan portfolio.

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 $1.3 billion of the Company's net income in 2020, or a decrease of $185 million (12.7 percent), compared with 2019.

Net revenue decreased $531 million (8.6 percent) in 2020, compared with 2019. Net interest income, on a taxable-equivalent basis, increased $56 million (2.3 percent) in 2020, compared with 2019, primarily due to favorable loan spreads and higher deposit balances as a result of state unemployment distributions on prepaid debit cards, partially offset by lower loan volume and loan fees. Noninterest income decreased $587 million (15.8 percent) in 2020, compared with 2019, mainly due to the impacts of COVID-19 on consumer and business spending volume in all payments businesses including merchant processing services, corporate payment products, and credit and debit card revenue. The decrease in credit and debit card revenue due to lower spending volume was partially offset by higher prepaid card fees as a result of government stimulus programs in 2020.

Noninterest expense increased $145 million (4.6 percent) in 2020, compared with 2019, reflecting incremental costs related to the prepaid card business and higher software expense due to capital expenditures and acquisitions, partially offset by lower marketing and business development expense due to the timing of marketing campaigns. The provision for credit losses decreased $428 million (38.6 percent) in 2020, compared with 2019, reflecting a favorable change in the reserve allocation driven by lower outstanding loan balances and lower net charge-offs, partially offset by the impact on the allowance for credit losses to recognize the expected losses within the acquired State Farm Bank credit card portfolio.

TABLE 25 Line of Business Financial Performance

Year Ended December 31 (Dollars in Millions)	Corporate and Commercial Banking 2020	Corporate and Commercial Banking 2019	Percent Change	Consumer and Business Banking 2020	Consumer and Business Banking 2019	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 3,259	$ 3,101	5.1%	$ 6,263	$ 6,351	(1.4)%
Noninterest income	1,078	861	25.2	3,360	2,385	40.9
Total net revenue	4,337	3,962	9.5	9,623	8,736	10.2
Noninterest expense	1,680	1,624	3.4	5,573	5,257	6.0
Other intangibles	—	4	*	16	20	(20.0)
Total noninterest expense	1,680	1,628	3.2	5,589	5,277	5.9
Income before provision and income taxes	2,657	2,334	13.8	4,034	3,459	16.6
Provision for credit losses	575	89	*	322	311	3.5
Income before income taxes	2,082	2,245	(7.3)	3,712	3,148	17.9
Income taxes and taxable-equivalent adjustment	521	562	(7.3)	929	789	17.7
Net income (loss)	1,561	1,683	(7.2)	2,783	2,359	18.0
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—
Net income (loss) attributable to U.S. Bancorp	$ 1,561	$ 1,683	(7.2)	$ 2,783	$ 2,359	18.0
Average Balance Sheet						
Commercial	$ 86,558	$ 78,575	10.2%	$ 12,716	$ 9,601	32.4%
Commercial real estate	21,753	20,453	6.4	16,076	16,135	(.4)
Residential mortgages	2	5	(60.0)	69,088	63,864	8.2
Credit card	—	—	—	—	—	—
Other retail	7	4	75.0	54,754	55,016	(.5)
Total loans	108,320	99,037	9.4	152,634	144,616	5.5
Goodwill	1,647	1,647	—	3,500	3,496	.1
Other intangible assets	6	8	(25.0)	2,106	2,619	(19.6)
Assets	120,829	108,983	10.9	170,531	158,932	7.3
Noninterest-bearing deposits	40,109	29,400	36.4	35,543	27,831	27.7
Interest checking	13,884	11,965	16.0	59,786	51,286	16.6
Savings products	52,534	43,232	21.5	70,905	62,269	13.9
Time deposits	17,266	17,625	(2.0)	16,645	15,680	6.2
Total deposits	123,793	102,222	21.1	182,879	157,066	16.4
Total U.S. Bancorp shareholders' equity	16,385	15,508	5.7	15,058	15,151	(.6)

* *Not meaningful*

Wealth Management and Investment Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2020	2019	Percent Change	2020	2019	Percent Change	2020	2019	Percent Change	2020	2019	Percent Change
$ 996	$ 1,172	(15.0)%	$ 2,530	$ 2,474	2.3%	$ (124)	$ 57	*%	$ 12,924	$ 13,155	(1.8)%
1,877	1,803	4.1	3,124	3,711	(15.8)	962	1,071	(10.2)	10,401	9,831	5.8
2,873	2,975	(3.4)	5,654	6,185	(8.6)	838	1,128	(25.7)	23,325	22,986	1.5
1,871	1,775	5.4	3,133	3,005	4.3	936	956	(2.1)	13,193	12,617	4.6
12	13	(7.7)	148	131	13.0	—	—	—	176	168	4.8
1,883	1,788	5.3	3,281	3,136	4.6	936	956	(2.1)	13,369	12,785	4.6
990	1,187	(16.6)	2,373	3,049	(22.2)	(98)	172	*	9,956	10,201	(2.4)
38	(3)	*	681	1,109	(38.6)	2,190	(2)	*	3,806	1,504	*
952	1,190	(20.0)	1,692	1,940	(12.8)	(2,288)	174	*	6,150	8,697	(29.3)
238	299	(20.4)	423	486	(13.0)	(946)	(385)	*	1,165	1,751	(33.5)
714	891	(19.9)	1,269	1,454	(12.7)	(1,342)	559	*	4,985	6,946	(28.2)
—	—	—	—	—	—	(26)	(32)	18.8	(26)	(32)	18.8
$ 714	$ 891	(19.9)	$ 1,269	$ 1,454	(12.7)	$ (1,368)	$ 527	*	$ 4,959	$ 6,914	(28.3)
$ 4,449	$ 4,023	10.6%	$ 8,936	$ 9,905	(9.8)%	$ 1,308	$ 1,094	19.6%	$113,967	$103,198	10.4%
578	510	13.3	—	—	—	2,141	2,288	(6.4)	40,548	39,386	3.0
4,577	3,878	18.0	—	—	—	—	—	—	73,667	67,747	8.7
—	—	—	22,332	23,309	(4.2)	—	—	—	22,332	23,309	(4.2)
1,723	1,674	2.9	271	352	(23.0)	—	—	—	56,755	57,046	(.5)
11,327	10,085	12.3	31,539	33,566	(6.0)	3,449	3,382	2.0	307,269	290,686	5.7
1,617	1,617	—	3,060	2,818	8.6	—	—	—	9,824	9,578	2.6
39	49	(20.4)	580	536	8.2	—	—	—	2,731	3,212	(15.0)
14,448	13,336	8.3	36,496	39,424	(7.4)	188,903	154,978	21.9	531,207	475,653	11.7
16,275	13,231	23.0	4,356	1,261	*	2,256	2,140	5.4	98,539	73,863	33.4
10,348	9,100	13.7	—	—	—	258	202	27.7	84,276	72,553	16.2
53,602	49,612	8.0	121	112	8.0	766	754	1.6	177,928	155,979	14.1
2,222	3,430	(35.2)	1	2	(50.0)	1,738	7,680	(77.4)	37,872	44,417	(14.7)
82,447	75,373	9.4	4,478	1,375	*	5,018	10,776	(53.4)	398,615	346,812	14.9
2,482	2,441	1.7	6,095	6,069	.4	12,226	13,454	(9.1)	52,246	52,623	(.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 a net loss of $1.4 billion in 2020, compared with net income of $527 million in 2019.

Net revenue decreased $290 million (25.7 percent) in 2020, compared with 2019. Net interest income, on a taxable-equivalent basis, decreased $181 million in 2020, compared with 2019, primarily due to higher prepayment amortization and lower reinvestment yields within the investment portfolio compared with the prior year. Noninterest income decreased $109 million (10.2 percent) in 2020, compared with 2019, primarily due to lower equity investment income, and certain 2020 asset impairments as a result of expected branch closures and property damage from civil unrest that occurred during the year. These decreases in noninterest income were partially offset by gains on the sale of certain businesses in 2020, higher investment securities gains and the impact of a 2019 charge for an increased derivative liability related to Visa shares previously sold by the Company.

Noninterest expense decreased $20 million (2.1 percent) in 2020, compared with 2019, primarily due to lower net shared services expense, lower costs related to tax-advantaged projects and the impact of severance charges and asset impairment accruals recorded in 2019. These decreases in noninterest expense were partially offset by the recognition of liabilities related to airline exposure and COVID-related expenses in 2020, higher compensation expense reflecting merit increases and stock-based compensation, higher implementation costs of capital investments to support business growth, higher state franchise taxes and higher merger-related costs. The provision for credit losses was $2.2 billion higher in 2020, compared with 2019, reflecting the residual impact of changes in the allowance for credit losses being impacted by adverse economic conditions and the expected impact to credit losses within the Company's loan portfolios due to the COVID-19 pandemic.

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,
- Tangible common equity to risk-weighted assets, and
- Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the CECL methodology.

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 currently effective or defined in banking regulations. In addition, certain of these measures differ from currently effective capital ratios defined by banking regulations principally in that the currently effective ratios, which are subject to certain transitional provisions, temporarily exclude the impact of the 2020 adoption of accounting guidance related to impairment of financial instruments based on the CECL methodology. 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)	2020	2019	2018	2017	2016
Total equity	$ 53,725	$ 52,483	$ 51,657	$ 49,666	$ 47,933
Preferred stock	(5,983)	(5,984)	(5,984)	(5,419)	(5,501)
Noncontrolling interests	(630)	(630)	(628)	(626)	(635)
Goodwill (net of deferred tax liability)(1)	(9,014)	(8,788)	(8,549)	(8,613)	(8,203)
Intangible assets, other than mortgage servicing rights	(654)	(677)	(601)	(583)	(712)
Tangible common equity(a)	37,444	36,404	35,895	34,425	32,882
Common equity tier 1 capital, determined in accordance with transitional regulatory capital requirements related to the CECL methodology implementation	38,045				
Adjustments(2)	(1,733)				
Common equity tier 1 capital, reflecting the full implementation of the CECL methodology(b)	36,312				
Total assets	553,905	495,426	467,374	462,040	445,964
Goodwill (net of deferred tax liability)(1)	(9,014)	(8,788)	(8,549)	(8,613)	(8,203)
Intangible assets, other than mortgage servicing rights	(654)	(677)	(601)	(583)	(712)
Tangible assets(c)	544,237	485,961	458,224	452,844	437,049
Risk-weighted assets, determined in accordance with prescribed regulatory capital requirements effective for the Company(d)	393,648	391,269	381,661	367,771	358,237
Adjustments (3)	(1,471)				
Risk-weighted assets, reflecting the full implementation of the CECL methodology(e)	392,177				
Ratios					
Tangible common equity to tangible assets(a)/(c)	6.9%	7.5%	7.8%	7.6%	7.5%
Tangible common equity to risk-weighted assets(a)/(d)	9.5	9.3	9.4	9.4	9.2
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the CECL methodology(b)/(e)	9.3				

	Three Months Ended December 31		Year Ended December 31				
	2020	2019	2020	2019	2018	2017	2016
Net interest income	$3,175	$3,207	$12,825	$13,052	$12,919	$12,380	$11,666
Taxable-equivalent adjustment(4)	26	24	99	103	116	205	203
Net interest income, on a taxable-equivalent basis	3,201	3,231	12,924	13,155	13,035	12,585	11,869
Net interest income, on a taxable-equivalent basis (as calculated above)	3,201	3,231	12,924	13,155	13,035	12,585	11,869
Noninterest income	2,550	2,436	10,401	9,831	9,602	9,317	9,290
Less: Securities gains (losses), net	34	26	177	73	30	57	22
Total net revenue, excluding net securities gains (losses)(f)	5,717	5,641	23,148	22,913	22,607	21,845	21,137
Noninterest expense(g)	3,364	3,401	13,369	12,785	12,464	12,790	11,527
Efficiency ratio(g)/(f)	58.8%	60.3%	57.8%	55.8%	55.1%	58.5%	54.5%

	Year Ended December 31, 2020		
	Net Revenue	Net Revenue as a Percent of the Consolidated Company	Net Revenue as a Percent of the Consolidated Company Excluding Treasury and Corporate Support
Corporate and Commercial Banking	$ 4,337	19%	19%
Consumer and Business Banking	9,623	41	43
Wealth Management and Investment Services	2,873	12	13
Payment Services	5,654	24	25
Treasury and Corporate Support	838	4	
Consolidated Company	23,325	100%	
Less: Treasury and Corporate Support	838		
Consolidated Company excluding Treasury and Corporate Support	$ 22,487		100%

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

(2) Includes the estimated increase in the allowance for credit losses related to the adoption of the CECL methodology net of deferred taxes.

(3) Includes the impact of the estimated increase in the allowance for credit losses related to the adoption of the CECL methodology.

(4) Based on federal income tax rates of 21 percent for 2020, 2019 and 2018 and 35 percent for 2017 and 2016, 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.

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, 2020 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, expected 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 quantitative variables and 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 expected recoveries. The allowance for credit losses on commercial lending segment loans measures the expected 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 forward-looking expected loss 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 allowance rates to reflect changes in expected losses, including expected changes in economic or business cycle conditions.

Some factors considered in determining the appropriate allowance for credit losses are more readily quantifiable while other factors require extensive qualitative judgment. Management conducts an analysis with respect to the accuracy of risk ratings and the volatility of expected 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 gross domestic product, 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 considers a range of economic scenarios in its determination of the allowance for credit losses. These scenarios are constructed with interrelated projections of multiple economic variables, and loss estimates are produced that consider the historical correlation of those economic variables with credit losses, and also the expectation that conditions will eventually normalize over the longer run. Scenarios worse than the Company's expected outcome at December 31, 2020 include risks that government stimulus in response to the COVID-19 pandemic is less broad or less effective than expected, or that a longer or more severe health crisis prolongs the downturn in economic activity, reducing the number of businesses that are ultimately able to resume operations after the crisis has passed.

Under the range of economic scenarios considered, the allowance for credit losses would have been lower by $538 million or higher by $1.2 billion. This range reflects the sensitivity of the allowance for credit losses specifically related to the scenarios and weights considered as of December 31, 2020, and does not consider other potential adjustments that could increase or decrease loss estimates calculated using alternative economic scenarios.

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 the economy on the Company's modeled loss estimates for the loan portfolio 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 loss model estimates 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 69. 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 72.

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, 2020. 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, 2020.

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 audit report on the Company's internal control over financial reporting. Their opinion on the financial statements appearing on pages 70 and 71 and their audit report on internal control over financial reporting appearing on page 72 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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 23, 2021 expressed an unqualified opinion thereon.

Adoption of New Accounting Standard

As discussed in Notes 1, 2 and 5 to the consolidated financial statements, the Company changed its method for accounting for credit losses in 2020. As explained below, auditing the Company's allowance for credit losses, including adoption of the new accounting guidance related to the estimate of allowance for credit losses, was a critical audit matter.

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 and the associated allowance for credit losses (ACL), were \$297.7 billion and \$8.0 billion as of December 31, 2020, respectively. The provision for credit losses was \$3.8 billion for the year ended December 31, 2020. As discussed above and in Notes 1, 2 and 5 to the financial statements, effective January 1, 2020 the Company adopted new accounting guidance related to the estimate of ACL, resulting in ACL increase of \$1.5 billion. The ACL is established for current expected credit losses (ECL) on the Company's loan and lease portfolio, including unfunded credit commitments, by utilizing forward-looking expected loss models. When determining expected losses, the Company uses multiple probability weighted economic scenarios over a reasonable and supportable forecast period and then fully reverts to historical loss experience to estimate losses over the remaining asset lives. Model estimates are adjusted to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices or economic conditions that would affect the accuracy of the model. Additionally, management may adjust ACL for other qualitative factors such as model imprecision, imprecision in economic scenario assumptions, and emerging risks related to either changes in the environment that are affecting specific portfolio segments, or changes in portfolio concentrations.

Auditing management's ACL estimate and related provision for credit losses was complex due to the highly judgmental nature of the probability weighted economic scenarios, expected loss models, as well as model and qualitative factor adjustments.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's process for establishing the ACL, including management's controls over: 1) selection and implementation of forward-looking economic scenarios and the probability weights assigned to them; 2) expected loss models, including model validation, implementation, monitoring, the completeness and accuracy of key inputs and assumptions used in the models, and management's output assessment and related adjustments; 3) adjustments to reflect management's consideration of qualitative factors; 4) the ACL methodology and governance process.

With the support of specialists, we assessed the economic scenarios and related probability weights by, among other procedures, evaluating management's methodology and agreeing a sample of key economic variables used to external sources. We also performed and considered the results of various sensitivity analyses and analytical procedures, including comparison of a sample of the key economic variables to alternative external sources, historical statistics and peer bank information.

With respect to expected loss models, with the support of specialists, we evaluated model calculation design and re-performed the calculation for a sample of models. We also tested the appropriateness of key inputs and assumptions used in these models by agreeing a sample of inputs to internal sources. As to model adjustments, with the support of specialists, we evaluated management's assessment of factors that could potentially impact accuracy of expected loss models and we evaluated management's estimate methodology. We also re-calculated a sample of model adjustments and tested internal and external data used by agreeing a sample of inputs to internal and external sources.

Regarding the completeness of qualitative factors identified and incorporated into measuring the ACL, we evaluated the potential impact of imprecision in the expected loss models and economic scenario assumptions, emerging risks related to changes in the environment impacting specific portfolio segments and portfolio concentrations. We also evaluated and tested internal and external data used in the qualitative adjustments by agreeing significant inputs and underlying data to internal and external sources.

We evaluated the overall ACL amount, including model estimates and adjustments, qualitative factors adjustments, and whether the recorded ACL appropriately reflects expected credit losses on the loan and lease portfolio and unfunded credit commitments. We reviewed historical loss statistics, peer-bank information, subsequent events and transactions and considered whether they corroborate or contradict the Company's measurement of the ACL. We searched for and evaluated information that corroborates or contradicts management's forecasted assumptions and related probability weights as well as identification and measurement of adjustments to model estimates and qualitative factors.

Ernst + Young LLP

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

Minneapolis, Minnesota
February 23, 2021

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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020, and the related notes of the Company and our report dated February 23, 2021 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.

Ernst + Young LLP

Minneapolis, Minnesota
February 23, 2021

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U.S. Bancorp
Consolidated Balance Sheet

At December 31 (Dollars in Millions)	2020	2019
Assets		
Cash and due from banks	$ 62,580	$ 22,405
Available-for-sale investment securities ($402 and $269 pledged as collateral, respectively)[(a)]	136,840	122,613
Loans held for sale (including $8,524 and $5,533 of mortgage loans carried at fair value, respectively)	8,761	5,578
Loans		
Commercial	102,871	103,863
Commercial real estate	39,311	39,746
Residential mortgages	76,155	70,586
Credit card	22,346	24,789
Other retail	57,024	57,118
Total loans	297,707	296,102
Less allowance for loan losses	(7,314)	(4,020)
Net loans	290,393	292,082
Premises and equipment	3,468	3,702
Goodwill	9,918	9,655
Other intangible assets	2,864	3,223
Other assets (including $1,255 and $951 of trading securities at fair value pledged as collateral, respectively)[(a)]	39,081	36,168
Total assets	$553,905	$495,426
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	$118,089	$ 75,590
Interest-bearing[(b)]	311,681	286,326
Total deposits	429,770	361,916
Short-term borrowings	11,766	23,723
Long-term debt	41,297	40,167
Other liabilities	17,347	17,137
Total liabilities	500,180	442,943
Shareholders' equity		
Preferred stock	5,983	5,984
Common stock, par value $0.01 a share — authorized: 4,000,000,000 shares; issued: 2020 and 2019 — 2,125,725,742 shares	21	21
Capital surplus	8,511	8,475
Retained earnings	64,188	63,186
Less cost of common stock in treasury: 2020 — 618,618,084 shares; 2019 — 591,570,506 shares	(25,930)	(24,440)
Accumulated other comprehensive income (loss)	322	(1,373)
Total U.S. Bancorp shareholders' equity	53,095	51,853
Noncontrolling interests	630	630
Total equity	53,725	52,483
Total liabilities and equity	$553,905	$495,426

(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 $4.4 billion and $7.8 billion at December 31, 2020 and 2019, 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)	2020	2019	2018
Interest Income			
Loans	$12,018	$14,099	$13,120
Loans held for sale	216	162	165
Investment securities	2,428	2,893	2,616
Other interest income	178	340	272
Total interest income	14,840	17,494	16,173
Interest Expense			
Deposits	950	2,855	1,869
Short-term borrowings	141	360	378
Long-term debt	924	1,227	1,007
Total interest expense	2,015	4,442	3,254
Net interest income	12,825	13,052	12,919
Provision for credit losses	3,806	1,504	1,379
Net interest income after provision for credit losses	9,019	11,548	11,540
Noninterest Income			
Credit and debit card revenue	1,338	1,413	1,401
Corporate payment products revenue	497	664	644
Merchant processing services	1,261	1,601	1,531
Trust and investment management fees	1,736	1,673	1,619
Deposit service charges	677	909	1,070
Treasury management fees	568	578	594
Commercial products revenue	1,143	934	895
Mortgage banking revenue	2,064	874	720
Investment products fees	192	186	188
Securities gains (losses), net	177	73	30
Other	748	926	910
Total noninterest income	10,401	9,831	9,602
Noninterest Expense			
Compensation	6,635	6,325	6,162
Employee benefits	1,303	1,286	1,231
Net occupancy and equipment	1,092	1,123	1,063
Professional services	430	454	407
Marketing and business development	318	426	429
Technology and communications	1,294	1,095	978
Postage, printing and supplies	288	290	324
Other intangibles	176	168	161
Other	1,833	1,618	1,709
Total noninterest expense	13,369	12,785	12,464
Income before income taxes	6,051	8,594	8,678
Applicable income taxes	1,066	1,648	1,554
Net income	4,985	6,946	7,124
Net (income) loss attributable to noncontrolling interests	(26)	(32)	(28)
Net income attributable to U.S. Bancorp	$ 4,959	$ 6,914	$ 7,096
Net income applicable to U.S. Bancorp common shareholders	$ 4,621	$ 6,583	$ 6,784
Earnings per common share	$ 3.06	$ 4.16	$ 4.15
Diluted earnings per common share	$ 3.06	$ 4.16	$ 4.14
Average common shares outstanding	1,509	1,581	1,634
Average diluted common shares outstanding	1,510	1,583	1,638

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Comprehensive Income

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Net income	$4,985	$6,946	$7,124
Other Comprehensive Income (Loss)			
Changes in unrealized gains and losses on investment securities available-for-sale	2,905	1,693	(656)
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	(194)	(229)	39
Foreign currency translation	2	26	3
Changes in unrealized gains and losses on retirement plans	(401)	(380)	(302)
Reclassification to earnings of realized gains and losses	(42)	20	93
Income taxes related to other comprehensive income (loss)	(575)	(322)	205
Total other comprehensive income (loss)	1,695	949	(618)
Comprehensive income	6,680	7,895	6,506
Comprehensive (income) loss attributable to noncontrolling interests	(26)	(32)	(28)
Comprehensive income attributable to U.S. Bancorp	$6,654	$7,863	$6,478

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, 2017	1,656	$5,419	$21	$8,464	$54,142	$(17,602)	$(1,404)	$49,040	$626	$49,666
Changes in accounting principle[(a)]					299		(300)	(1)		(1)
Net income (loss)					7,096			7,096	28	7,124
Other comprehensive income (loss)							(618)	(618)		(618)
Preferred stock dividends[(b)]					(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[(c)]					(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
Change in accounting principle[(d)]					(1,099)			(1,099)		(1,099)
Net income (loss)					4,959			4,959	26	4,985
Other comprehensive income (loss)							1,695	1,695		1,695
Preferred stock dividends[(e)]					(304)			(304)		(304)
Common stock dividends ($1.68 per share)					(2,541)			(2,541)		(2,541)
Issuance of preferred stock		486						486		486
Call of preferred stock		(487)			(13)			(500)		(500)
Issuance of common and treasury stock	4			(154)		171		17		17
Purchase of treasury stock	(31)					(1,661)		(1,661)		(1,661)
Distributions to noncontrolling interests								–	(25)	(25)
Net other changes in noncontrolling interests								–	(1)	(1)
Stock option and restricted stock grants				190				190		190
Balance December 31, 2020	1,507	$5,983	$21	$8,511	$64,188	$(25,930)	$ 322	$53,095	$630	$53,725

(a) 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.

(b) 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.

(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 $3,654.95, $887.15, $1,625.00, $1,287.52, $1,281.25, $1,325.00 and $1,375.00, respectively.

(d) Effective January 1, 2020, the Company adopted accounting guidance which changed impairment recognition of financial instruments to a model that is based on expected losses rather than incurred losses. Upon adoption, the Company increased its allowance for credit losses and reduced retained earnings net of deferred taxes through a cumulative-effect adjustment.

(e) Reflects dividends declared per share on the Company’s Series A, Series B, Series F, Series H, Series I, Series J, Series K and Series L Non-Cumulative Perpetual Preferred Stock of $3,558.332, $889.58, $1,625.00, $1,287.52, $1,281.25, $1,325.00, $1,375.00 and $203.13, respectively.

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Operating Activities			
Net income attributable to U.S. Bancorp	$ 4,959	$ 6,914	$ 7,096
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	3,806	1,504	1,379
Depreciation and amortization of premises and equipment	351	334	306
Amortization of intangibles	176	168	161
(Gain) loss on sale of loans held for sale	(2,193)	(762)	(394)
(Gain) loss on sale of securities and other assets	(344)	(469)	(510)
Loans originated for sale, net of repayments	(67,449)	(36,561)	(29,214)
Proceeds from sales of loans held for sale	65,468	33,303	30,730
Other, net	(1,058)	458	1,010
Net cash provided by operating activities	3,716	4,889	10,564
Investing Activities			
Proceeds from sales of available-for-sale investment securities	15,596	11,252	1,400
Proceeds from maturities of held-to-maturity investment securities	–	9,137	6,619
Proceeds from maturities of available-for-sale investment securities	40,639	11,454	11,411
Purchases of held-to-maturity investment securities	–	(6,701)	(9,793)
Purchases of available-for-sale investment securities	(68,662)	(33,814)	(10,077)
Net decrease (increase) in loans outstanding	6,350	(9,871)	(9,234)
Proceeds from sales of loans	2,250	2,899	4,862
Purchases of loans	(11,622)	(3,805)	(3,694)
Net decrease (increase) in securities purchased under agreements to resell	645	(816)	(182)
Other, net	(636)	(1,295)	(289)
Net cash used in investing activities	(15,440)	(21,560)	(8,977)
Financing Activities			
Net increase (decrease) in deposits	67,854	16,441	(1,740)
Net (decrease) increase in short-term borrowings	(11,957)	9,584	(2,512)
Proceeds from issuance of long-term debt	14,501	9,899	12,078
Principal payments or redemption of long-term debt	(14,476)	(11,119)	(2,928)
Proceeds from issuance of preferred stock	486	–	565
Proceeds from issuance of common stock	15	88	86
Repurchase of common stock	(1,672)	(4,525)	(2,822)
Cash dividends paid on preferred stock	(300)	(302)	(274)
Cash dividends paid on common stock	(2,552)	(2,443)	(2,092)
Net cash provided by financing activities	51,899	17,623	361
Change in cash and due from banks	40,175	952	1,948
Cash and due from banks at beginning of period	22,405	21,453	19,505
Cash and due from banks at end of period	$ 62,580	$ 22,405	$ 21,453
Supplemental Cash Flow Disclosures			
Cash paid for income taxes	$ 1,025	$ 941	$ 365
Cash paid for interest	2,199	4,404	3,056
Noncash transfer of held-to-maturity investment securities to available-for-sale	–	43,596	–
Net noncash transfers to foreclosed property	23	60	115

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, through on-line services, over mobile devices and through other distribution channels. 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 related to credit, if any, are recorded through the establishment of an allowance for credit losses.

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. 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. 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.

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 are recorded at fair value at the date of purchase and those acquired on or after January 1, 2020 are divided into those considered purchased with more than insignificant credit deterioration ("PCD") and those not considered purchased with more than insignificant credit deterioration. An allowance for credit losses is established for each population and considers product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status and refreshed loan-to-value ratios when possible. The allowance for credit losses established for purchased loans not considered PCD is recognized through provision expense upon acquisition, whereas the allowance for credit losses established for loans considered PCD at acquisition is offset by an increase in the basis of the acquired loans. Any subsequent increases and decreases in the allowance for credit losses related to purchased loans, regardless of PCD status, are recognized through provision expense, with charge-offs charged to the allowance. The Company did not have a material amount of PCD loans included in its loan portfolio at December 31, 2020. In accordance with applicable authoritative accounting guidance, purchased loans acquired prior to January 1, 2020 were initially measured at fair value, inclusive of any credit discounts, and an allowance for credit losses was not recorded as of the acquisition date.

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. Reserves for credit exposure on all other unfunded credit commitments are recorded in other liabilities.

Allowance for Credit Losses Beginning January 1, 2020, the allowance for credit losses is established for current expected credit losses on the Company's loan and lease portfolio, including unfunded credit commitments. The allowance considers expected losses for the remaining lives of the applicable assets, inclusive of expected recoveries. 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. Multiple economic scenarios are considered over a three-year reasonable and supportable forecast period, which incorporates historical loss experience in years two and three. These economic scenarios are constructed with interrelated projections of multiple economic variables, and loss estimates are produced that consider the historical correlation of those economic variables with credit losses. After the forecast period, the Company fully reverts to long-term historical loss experience, adjusted for prepayments and characteristics of the current loan and lease portfolio, to estimate losses over the remaining life of the portfolio. The economic scenarios are updated at least quarterly and are designed to provide a range of reasonable estimates, both better and worse than current expectations. Scenarios are weighted based on the Company's expectation of economic conditions for the foreseeable future and reflect significant judgment and consider uncertainties that exist. Final loss estimates also consider factors affecting credit losses not reflected in the scenarios, due to the unique aspects of current conditions and expectations. These factors may include, but are not limited to, loan servicing practices, regulatory guidance, and/or fiscal and monetary policy actions.

The allowance recorded for credit losses utilizes forward-looking expected loss models to consider a variety of factors affecting lifetime credit losses. These factors include, but are not limited to, macroeconomic variables such as unemployment rate, real estate prices, gross domestic product levels, corporate bonds spreads and long-term interest rate forecasts, as well as loan and borrower characteristics, such as internal risk ratings on commercial loans and consumer credit scores, delinquency status, collateral type and available valuation information, consideration of end-of-term losses on lease residuals, and the remaining term of the loan, adjusted for expected prepayments. For each loan portfolio, model estimates are adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices, economic conditions or other factors that would affect the accuracy of the model. Expected credit loss estimates also include consideration of expected cash recoveries on loans previously charged-off or expected recoveries on collateral dependent loans where recovery is expected through sale of the collateral. Where loans do not exhibit similar risk characteristics, an individual analysis is performed to consider expected credit losses. The allowance recorded for individually evaluated loans greater than $5 million in the commercial lending segment is based on an 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 as appropriate.

The allowance recorded for Troubled Debt Restructuring ("TDR") 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. TDRs generally do not include loan modifications granted to customers resulting directly from the economic effects of the COVID-19 pandemic, who were otherwise in current payment status. The expected cash flows on TDR loans consider subsequent payment defaults since modification, the borrower's ability to pay under the restructured terms, and the timing and amount of payments. 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. 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.

The Company's methodology for determining the appropriate allowance for credit losses also considers the imprecision inherent in the methodologies used and allocated to the various loan portfolios. As a result, amounts determined under the methodologies described above, are adjusted by management to consider the potential impact of other qualitative factors not captured in the quantitative model adjustments which include, but are not limited to the following: model imprecision, imprecision in economic scenario assumptions, and emerging risks related to either changes in the environment that are affecting specific portfolios, or changes in portfolio concentrations over time that may affect model performance. The consideration of these items results in adjustments to allowance amounts included in the Company's allowance for credit losses for each loan portfolio.

The Company also assesses the credit risk associated with off-balance sheet loan commitments, letters of credit, investment securities 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.

The results of the analysis are evaluated quarterly to confirm the estimates are appropriate for each specific loan portfolio, as well as the entire loan portfolio, as the entire allowance for credit losses is available for the entire loan portfolio.

Prior to January 1, 2020, the allowance for credit losses was established based on an incurred loss model. The allowance recorded for loans in the commercial lending segment was based on the migration analysis of commercial loans and actual loss experience. The allowance recorded for loans in the consumer lending segment loans was determined on a homogenous pool basis and primarily included consideration of delinquency status and historical losses. In addition to the amounts determined under the methodologies described above, management also considered the potential impact of qualitative factors.

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 portfolio 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.

The Company classifies its loan portfolio classes 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.

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.

Loan modifications or concessions granted to borrowers resulting directly from the effects of the COVID-19 pandemic, who were otherwise in current payment status, are not considered to be TDRs.

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 generally 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 whether the carrying value of a reporting unit exceeds its fair value. 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 or the remaining life expectancies of inactive participants. 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 15 years for active employees and approximately 30 years for inactive participants. The overfunded or underfunded status of each plan 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.

Capitalized Software The Company capitalizes certain costs associated with the acquisition or development of internal-use software. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's expected useful life and reviewed for impairment on an ongoing basis. Estimated useful lives are generally 3 years, but may range up to 7 years.

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

Financial Instruments—Credit Losses Effective January 1, 2020, the Company adopted accounting guidance, issued by the Financial Accounting Standards Board ("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 by approximately $1.1 billion through a cumulative-effect adjustment. The increase in the allowance at adoption 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 Company has elected to defer the impact of the effect of the guidance at adoption plus 25 percent of its quarterly credit reserve increases over the next two years on its regulatory capital requirements, followed by a transition period to phase in the cumulative deferred impact at 25 percent per year from 2022 to 2025, as provided by rules issued by its regulators.

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.

Reference Interest Rate Transition In March 2020, the FASB issued accounting guidance, providing temporary optional expedients and exceptions to the guidance in United States generally accepted accounting principles on contract modifications and hedge accounting, to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. Under the guidance, a company can elect not to apply certain modification accounting requirements to contracts affected by reference rate transition, if certain criteria are met. A company that makes this election would not be required to remeasure the contracts at the modification date or reassess a previous accounting determination. This guidance also permits a company to elect various optional expedients that would allow it to continue applying hedge accounting for hedging relationships affected by reference rate transition, if certain criteria are met. The guidance is effective upon issuance and generally can be applied through December 31, 2022. The Company is currently assessing the impact of this guidance on its financial statements.

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 $73 million and $3.2 billion at December 31, 2020 and 2019, respectively. The Company held balances at central banks and other financial institutions of $55.4 billion and $16.2 billion at December 31, 2020 and 2019, respectively, to meet these requirements and for other purposes. These balances are included in cash and due from banks on the Consolidated Balance Sheet.

NOTE 4 Investment Securities

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 Company had no outstanding investment securities classified as held-to-maturity at December 31, 2020 and December 31, 2019.

The amortized cost, gross unrealized holding gains and losses, and fair value of available-for-sale investment securities at December 31 were as follows:

	2020				2019			
(Dollars in Millions)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury and agencies	$ 21,954	$ 462	$(25)	$ 22,391	$ 19,845	$ 61	$ (67)	$ 19,839
Mortgage-backed securities								
Residential agency	98,031	1,950	(13)	99,968	93,903	557	(349)	94,111
Commercial agency	5,251	170	(15)	5,406	1,482	–	(29)	1,453
Asset-backed securities	200	5	–	205	375	8	–	383
Obligations of state and political subdivisions	8,166	695	–	8,861	6,499	318	(3)	6,814
Other	9	–	–	9	13	–	–	13
Total available-for-sale	$133,611	$3,282	$(53)	$136,840	$122,117	$944	$(448)	$122,613

Investment securities with a fair value of $11.0 billion at December 31, 2020, and $8.4 billion at December 31, 2019, 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 $402 million at December 31, 2020, and $269 million at December 31, 2019.

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)	2020	2019	2018
Taxable	$2,201	$2,680	$2,396
Non-taxable	227	213	220
Total interest income from investment securities	$2,428	$2,893	$2,616

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)	2020	2019	2018
Realized gains	$200	$ 99	$30
Realized losses	(23)	(26)	–
Net realized gains (losses)	$177	$ 73	$30
Income tax (benefit) on net realized gains (losses)	$ 45	$ 18	$ 7

The Company conducts a regular assessment of its available-for-sale investment securities with unrealized losses to determine whether all or some portion of a security's unrealized loss is related to credit and an allowance for credit losses is necessary. If the Company intends to sell or it is more likely than not the Company will be required to sell an investment security, the amortized cost of the security is written down to fair value. When evaluating credit losses, the Company considers various factors such as the nature of the investment security, the credit ratings or financial condition of the issuer, the extent of the unrealized loss, expected cash flows of underlying collateral, the existence of any government or agency guarantees, and market conditions. The Company measures the allowance for credit losses using market information where available and discounting the cash flows at the original effective rate of the investment security. The allowance for credit losses is adjusted each period through earnings and can be subsequently recovered. The allowance for credit losses on the Company's available-for-sale investment securities was immaterial for the year ended December 31, 2020.

At December 31, 2020, 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, 2020:

	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	$3,144	$(25)	$ –	$ –	$3,144	$(25)
Residential agency mortgage-backed securities	2,748	(11)	1,028	(2)	3,776	(13)
Commercial agency mortgage-backed securities	1,847	(15)	–	–	1,847	(15)
Asset-backed securities	–	–	2	–	2	–
Obligations of state and political subdivisions	2	–	–	–	2	–
Other	6	–	–	–	6	–
Total investment securities	$7,747	$(51)	$1,030	$(2)	$8,777	$(53)

These unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase of the investment securities. U.S. Treasury and agencies securities and agency mortgage-backed securities are issued, guaranteed or otherwise supported by the United States government. The Company's obligations of state and political subdivisions are generally high grade. Accordingly, the Company does not consider these unrealized losses to be credit-related and an allowance for credit losses is not necessary. 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, 2020, 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.

During the year ended December 31, 2020, the Company did not purchase any available-for-sale investment securities that had more-than-insignificant credit deterioration.

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, 2020:

(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	$ 5,069	$ 5,101	.5	1.53%
Maturing after one year through five years	10,491	10,740	2.5	1.29
Maturing after five years through ten years	5,874	6,034	8.2	1.39
Maturing after ten years	520	516	12.5	1.52
Total	$ 21,954	$ 22,391	3.8	1.37%
Mortgage-Backed Securities[a]				
Maturing in one year or less	$ 682	$ 688	.6	1.54%
Maturing after one year through five years	90,156	92,059	2.5	1.48
Maturing after five years through ten years	12,425	12,607	6.9	1.44
Maturing after ten years	19	20	12.2	1.31
Total	$103,282	$105,374	3.0	1.47%
Asset-Backed Securities[a]				
Maturing in one year or less	$ –	$ –	–	.52%
Maturing after one year through five years	3	4	3.0	1.91
Maturing after five years through ten years	197	200	6.2	1.46
Maturing after ten years	–	1	14.2	2.41
Total	$ 200	$ 205	6.2	1.47%
Obligations of State and Political Subdivisions[b] [c]				
Maturing in one year or less	$ 115	$ 117	.5	4.44%
Maturing after one year through five years	1,245	1,327	3.2	4.43
Maturing after five years through ten years	6,779	7,386	7.0	3.90
Maturing after ten years	27	31	10.9	3.88
Total	$ 8,166	$ 8,861	6.3	3.99%
Other				
Maturing in one year or less	$ 9	$ 9	.1	1.81%
Maturing after one year through five years	–	–	–	–
Maturing after five years through ten years	–	–	–	–
Maturing after ten years	–	–	–	–
Total	$ 9	$ 9	.1	1.81%
Total investment securities[d]	$133,611	$136,840	3.4	1.61%

(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 investment securities was 4.2 years at December 31, 2019, with a corresponding weighted-average yield of 2.38 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.

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)	2020	2019
Commercial		
Commercial	$ 97,315	$ 98,168
Lease financing	5,556	5,695
Total commercial	102,871	103,863
Commercial Real Estate		
Commercial mortgages	28,472	29,404
Construction and development	10,839	10,342
Total commercial real estate	39,311	39,746
Residential Mortgages		
Residential mortgages	66,525	59,865
Home equity loans, first liens	9,630	10,721
Total residential mortgages	76,155	70,586
Credit Card	22,346	24,789
Other Retail		
Retail leasing	8,150	8,490
Home equity and second mortgages	12,472	15,036
Revolving credit	2,688	2,899
Installment	13,823	11,038
Automobile	19,722	19,435
Student	169	220
Total other retail	57,024	57,118
Total loans	$ 297,707	$ 296,102

The Company had loans of $96.1 billion at December 31, 2020, and $96.2 billion at December 31, 2019, pledged at the Federal Home Loan Bank, and loans of $67.8 billion at December 31, 2020, and $76.3 billion at December 31, 2019, 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 $763 million at December 31, 2020 and $781 million at December 31, 2019. All purchased loans are recorded at fair value at the date of purchase. Beginning January 1, 2020, the Company evaluates purchased loans for more-than-insignificant deterioration at the date of purchase in accordance with applicable authoritative accounting guidance. Purchased loans that have experienced more-than-insignificant deterioration from origination are considered purchased credit deteriorated loans. All other purchased loans are considered non-purchased credit deteriorated loans.

Allowance for Credit Losses Beginning January 1, 2020, the allowance for credit losses is established for current expected credit losses on 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, 2019	$1,484	$ 799	$433	$1,128	$ 647	$ –	$4,491
Add							
Change in accounting principle[(a)]	378	(122)	(30)	872	401	–	1,499
Provision for credit losses	1,074	1,054	158	1,184	336	–	3,806
Deduct							
Loans charged-off	575	210	19	975	401	–	2,180
Less recoveries of loans charged-off	(62)	(23)	(31)	(146)	(132)	–	(394)
Net loans charged-off	513	187	(12)	829	269	–	1,786
Balance at December 31, 2020	$2,423	$1,544	$573	$2,355	$1,115	$ –	$8,010
Balance at December 31, 2018	$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	$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	–	–	–	–	–	(1)	(1)
Balance at December 31, 2018	$1,454	$ 800	$455	$1,102	$ 630	$ –	$4,441

(a) Effective January 1, 2020, the Company adopted accounting guidance which changed impairment recognition of financial instruments to a model that is based on expected losses rather than incurred losses.

The increase in the allowance for credit losses from December 31, 2019 to December 31, 2020 reflected the deteriorating and ongoing effects of adverse economic conditions driven by the impact of COVID-19 on the domestic and global economies. Expected loss estimates consider both the changes in economic activity, and the mitigating effects of government stimulus and industrywide loan modification efforts designed to limit long term effects of the pandemic.

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 process and evaluation of the 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[(b)]	Total
December 31, 2020					
Commercial	$102,127	$ 314	$ 55	$ 375	$102,871
Commercial real estate	38,676	183	2	450	39,311
Residential mortgages[(a)]	75,529	244	137	245	76,155
Credit card	21,918	231	197	–	22,346
Other retail	56,466	318	86	154	57,024
Total loans	$294,716	$1,290	$477	$1,224	$297,707
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

(a) At December 31, 2020, $1.4 billion of loans 30–89 days past due and $1.8 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 $428 million and $1.7 billion at December 31, 2019, respectively.

(b) Substantially all nonperforming loans at December 31, 2020 and 2019, had an associated allowance for credit losses. The Company recognized interest income on nonperforming loans of $23 million and $24 million for the years ended December 31, 2020 and 2019, respectively, compared to what would have been recognized at the original contractual terms of the loans of $45 million and $43 million, respectively.

At December 31, 2020, total nonperforming assets held by the company were $1.3 billion, compared with $829 million at December 31, 2019. Total nonperforming assets included $1.2 billion of nonperforming loans, $24 million of OREO and $50 million of other nonperforming assets owned by the Company at December 31, 2020, compared with $692 million, $78 million and $59 million, respectively at December 31, 2019.

At December 31, 2020, the amount of foreclosed residential real estate held by the Company, and included in OREO, was $23 million, compared with $74 million at December 31, 2019. These amounts excluded $33 million and $155 million at December 31, 2020 and 2019, 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 at December 31, 2020 and 2019, was $1.0 billion and $1.5 billion, respectively, of which $812 million and $1.2 billion, respectively, 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)	December 31, 2020 Pass	Criticized Special Mention	Criticized Classified[a]	Criticized Total Criticized	Total	December 31, 2019 Pass	Criticized Special Mention	Criticized Classified[a]	Criticized Total Criticized	Total
Commercial										
Originated in 2020	$ 34,557	$1,335	$1,753	$ 3,088	$ 37,645	$ –	$ –	$ –	$ –	$ –
Originated in 2019	17,867	269	349	618	18,485	33,550	174	222	396	33,946
Originated in 2018	12,349	351	176	527	12,876	21,394	420	136	556	21,950
Originated in 2017	5,257	117	270	387	5,644	10,464	165	97	262	10,726
Originated in 2016	2,070	81	26	107	2,177	4,984	10	37	47	5,031
Originated prior to 2016	2,884	47	89	136	3,020	5,151	86	96	182	5,333
Revolving	22,445	299	280	579	23,024	26,307	292	278	570	26,877
Total commercial	97,429	2,499	2,943	5,442	102,871	101,850	1,147	866	2,013	103,863
Commercial real estate										
Originated in 2020	9,446	461	1,137	1,598	11,044	–	–	–	–	–
Originated in 2019	9,514	454	1,005	1,459	10,973	12,976	108	108	216	13,192
Originated in 2018	6,053	411	639	1,050	7,103	9,455	71	56	127	9,582
Originated in 2017	2,650	198	340	538	3,188	5,863	99	64	163	6,026
Originated in 2016	2,005	132	140	272	2,277	3,706	117	60	177	3,883
Originated prior to 2016	2,757	108	169	277	3,034	4,907	78	101	179	5,086
Revolving	1,445	9	238	247	1,692	1,965	11	1	12	1,977
Total commercial real estate	33,870	1,773	3,668	5,441	39,311	38,872	484	390	874	39,746
Residential mortgages[b]										
Originated in 2020	23,262	1	3	4	23,266	–	–	–	–	–
Originated in 2019	13,969	1	17	18	13,987	18,819	2	1	3	18,822
Originated in 2018	5,670	1	22	23	5,693	9,204	–	11	11	9,215
Originated in 2017	6,918	1	24	25	6,943	9,605	–	21	21	9,626
Originated in 2016	8,487	2	32	34	8,521	11,378	–	29	29	11,407
Originated prior to 2016	17,434	–	310	310	17,744	21,168	–	348	348	21,516
Revolving	1	–	–	–	1	–	–	–	–	–
Total residential mortgages	75,741	6	408	414	76,155	70,174	2	410	412	70,586
Credit card[c]	22,149	–	197	197	22,346	24,483	–	306	306	24,789
Other retail										
Originated in 2020	17,589	–	7	7	17,596	–	–	–	–	–
Originated in 2019	11,605	–	23	23	11,628	15,907	–	11	11	15,918
Originated in 2018	6,814	–	27	27	6,841	10,131	–	23	23	10,154
Originated in 2017	3,879	–	22	22	3,901	7,907	–	28	28	7,935
Originated in 2016	1,825	–	11	11	1,836	3,679	–	20	20	3,699
Originated prior to 2016	1,906	–	18	18	1,924	3,274	–	28	28	3,302
Revolving	12,647	–	110	110	12,757	15,509	10	138	148	15,657
Revolving converted to term	503	–	38	38	541	418	–	35	35	453
Total other retail	56,768	–	256	256	57,024	56,825	10	283	293	57,118
Total loans	$285,957	$4,278	$7,472	$11,750	$297,707	$292,204	$1,643	$2,255	$3,898	$296,102
Total outstanding commitments	$627,606	$8,772	$9,374	$18,146	$645,752	$619,224	$2,451	$2,873	$5,324	$624,548

Note: Year of origination is based on the origination date of a loan or the date when the maturity date, pricing or commitment amount is amended.

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

(b) At December 31, 2020, $1.8 billion of GNMA loans 90 days or more past due and $1.4 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, compared with $1.7 billion and $1.6 billion at December 31, 2019, respectively.

(c) All credit card loans are considered revolving 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. 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
2020			
Commercial	3,423	$ 628	$ 493
Commercial real estate	149	262	218
Residential mortgages	1,176	402	401
Credit card	23,549	135	136
Other retail	4,027	117	114
Total loans, excluding loans purchased from GNMA mortgage pools	32,324	1,544	1,362
Loans purchased from GNMA mortgage pools	4,630	667	659
Total loans	36,954	$2,211	$2,021
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

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. At December 31, 2020, 44 residential mortgages, 9 home equity and second mortgage loans and 423 loans purchased from GNMA mortgage pools with outstanding balances of $12 million, less than $1 million and $64 million, respectively, were in a trial period and have estimated post-modification balances of $13 million, less than $1 million and $65 million, respectively, assuming permanent modification occurs at the end of the trial period.

Loan modifications or concessions granted to borrowers resulting directly from the effects of the COVID-19 pandemic, who were otherwise in current payment status, are generally not considered to be TDRs. As of December 31, 2020, approximately $10.1 billion of loan modifications included on the Company's consolidated balance sheet related to borrowers impacted by the COVID-19 pandemic, consisting primarily of payment deferrals.

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
2020		
Commercial	1,148	$ 80
Commercial real estate	50	30
Residential mortgages	38	5
Credit card	6,688	35
Other retail	307	4
Total loans, excluding loans purchased from GNMA mortgage pools	8,231	154
Loans purchased from GNMA mortgage pools	498	66
Total loans	8,729	$220
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

In addition to the defaults in the table above, the Company had a total of 115 residential mortgage loans, home equity and second mortgage loans and loans purchased from GNMA mortgage pools for the year ended December 31, 2020, 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 $14 million for the year ended December 31, 2020.

As of December 31, 2020, the Company had $128 million of commitments to lend additional funds to borrowers whose terms of their outstanding owed balances have been modified in TDRs.

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)	2020	2019
Lease receivables	$11,890	$12,324
Unguaranteed residual values accruing to the lessor's benefit	1,787	1,834
Total net investment in sales-type and direct financing leases	$13,677	$14,158

The Company, as a lessor, recorded $952 million and $996 million of revenue on its Consolidated Statement of Income for the years ended December 31, 2020 and 2019, respectively, 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, 2020, were as follows:

(Dollars in Millions)	Sales-type and direct financing leases	Operating leases
2021	$ 4,288	$153
2022	3,664	121
2023	2,816	83
2024	1,210	56
2025	307	38
Thereafter	496	17
Total lease payments	12,781	$468
Amounts representing interest	(891)	
Lease receivables	$11,890	

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, 2020, the Company's ROU assets included in premises and equipment and lease liabilities included in long-term debt and other liabilities, were $1.1 billion and $1.3 billion, respectively, compared with $1.3 billion of ROU assets and $1.4 billion of lease liabilities at December 31, 2019, respectively.

Total costs incurred by the Company, as a lessee, were $374 million and $394 million for the years ended December 31, 2020 and 2019, respectively, 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 years ended December 31:

(Dollars in Millions)	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$305	$302
Operating cash flows from finance leases	6	7
Financing cash flows from finance leases	12	10
Right of use assets obtained in exchange for new operating lease liabilities	128	134
Right of use assets obtained in exchange for new finance lease liabilities	6	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:

	2020	2019
Weighted-average remaining lease term of operating leases (in years)	7.0	7.4
Weighted-average remaining lease term of finance leases (in years)	9.6	10.7
Weighted-average discount rate of operating leases	3.0%	3.2%
Weighted-average discount rate of finance leases	12.5%	14.3%

The contractual future lease obligations of the Company at December 31, 2020, were as follows:

(Dollars in Millions)	Operating leases	Finance leases
2021	$ 290	$ 18
2022	254	15
2023	209	15
2024	155	13
2025	111	11
Thereafter	344	29
Total lease payments	1,363	101
Amounts representing interest	(129)	(25)
Lease liabilities	$1,234	$ 76

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 MSR's, 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 $89 million, $30 million and $25 million of support to the funds during the years ended December 31, 2020, 2019 and 2018, 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 $578 million, $615 million and $689 million for the years ended December 31, 2020, 2019 and 2018, respectively. The Company also recognized $414 million, $506 million and $639 million of investment tax credits for the years ended December 31, 2020, 2019 and 2018, respectively. The Company recognized $545 million, $557 million and $604 million of expenses related to all of these investments for the years ended December 31, 2020, 2019 and 2018, respectively, of which $367 million, $318 million and $275 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)	2020	2019
Investment carrying amount	$ 5,378	$ 6,148
Unfunded capital and other commitments	2,334	2,938
Maximum exposure to loss	11,219	12,118

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 $35 million at December 31, 2020 and $31 million at December 31, 2019. The maximum exposure to loss related to these VIEs was $57 million at December 31, 2020 and $55 million at December 31, 2019, 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 $78 million at December 31, 2020, compared with less than $1 million to $87 million at December 31, 2019.

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, 2020, approximately $4.9 billion of the Company's assets and $3.7 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 $4.0 billion and $3.2 billion, respectively, at December 31, 2019. 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.

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, 2020, $2.4 billion of available-for-sale investment securities and $1.5 billion of short-term borrowings on the Consolidated Balance Sheet were related to the tender option bond program, compared with $3.0 billion of available-for-sale investment securities and $2.7 billion of short-term borrowings at December 31, 2019.

NOTE 8 Premises and Equipment

Premises and equipment at December 31 consisted of the following:

(Dollars in Millions)	2020	2019
Land	$ 487	$ 504
Buildings and improvements	3,519	3,513
Furniture, fixtures and equipment	3,439	3,366
Right of use assets on operating leases	1,038	1,141
Right of use assets on finance leases	110	111
Construction in progress	25	21
	8,618	8,656
Less accumulated depreciation and amortization	(5,150)	(4,954)
Total	$ 3,468	$ 3,702

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 $211.8 billion of residential mortgage loans for others at December 31, 2020, and $226.0 billion at December 31, 2019, 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 gain of $18 million, a net loss of $24 million, and a net gain of $47 million for the years ended December 31, 2020, 2019 and 2018, respectively. Loan servicing and ancillary fees, not including valuation changes, included in mortgage banking revenue were $718 million, $734 million and $746 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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

(Dollars in Millions)	2020	2019	2018
Balance at beginning of period	$2,546	$2,791	$2,645
Rights purchased	34	20	8
Rights capitalized	1,030	559	397
Rights sold[(a)]	3	5	(27)
Changes in fair value of MSRs			
Due to fluctuations in market interest rates[(b)]	(719)	(390)	98
Due to revised assumptions or models[(c)]	(12)	23	56
Other changes in fair value[(d)]	(672)	(462)	(386)
Balance at end of period	$2,210	$2,546	$2,791

(a) MSRs sold include those having a negative fair value, resulting from the 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 assumed cost to service, ancillary income and option adjusted spread, as well as the impact of any model changes.

(d) Primarily the change in MSR value from passage of time and cash flows realized (decay), but also includes the impact of changes to expected cash flows not associated with changes in market interest rates, such as the impact of deliquencies.

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:

	2020						2019					
(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	$(442)	$(271)	$(150)	$ 169	$ 343	$ 671	$(663)	$(316)	$(153)	$ 141	$ 269	$ 485
Derivative instrument hedges	523	281	145	(149)	(304)	(625)	613	306	152	(143)	(279)	(550)
Net sensitivity	$ 81	$ 10	$ (5)	$ 20	$ 39	$ 46	$ (50)	$ (10)	$ (1)	$ (2)	$ (10)	$ (65)

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:

	2020				2019			
(Dollars in Millions)	HFA	Government	Conventional[d]	Total	HFA	Government	Conventional[d]	Total
Servicing portfolio[a]	$40,396	$25,474	$143,085	$208,955	$44,906	$35,302	$143,310	$223,518
Fair value	$ 406	$ 261	$ 1,543	$ 2,210	$ 486	$ 451	$ 1,609	$ 2,546
Value (bps)[b]	101	102	108	106	108	128	112	114
Weighted-average servicing fees (bps)	35	40	30	32	34	39	28	31
Multiple (value/servicing fees)	2.87	2.56	3.55	3.26	3.15	3.29	4.00	3.67
Weighted-average note rate	4.43%	3.91%	3.78%	3.92%	4.65%	3.99%	4.07%	4.17%
Weighted-average age (in years)	3.8	5.6	4.2	4.3	3.7	4.9	4.8	4.6
Weighted-average expected prepayment (constant prepayment rate)	14.1%	18.0%	13.8%	14.4%	12.2%	13.7%	12.2%	12.4%
Weighted-average expected life (in years)	5.6	4.3	5.5	5.4	6.5	5.7	5.9	6.0
Weighted-average option adjusted spread[c]	7.7%	7.3%	6.2%	6.6%	8.4%	7.9%	6.9%	7.3%

(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 2020	Balance 2019
Goodwill		[c]	$ 9,918	$ 9,655
Merchant processing contracts	6 years/7 years	SL/AC	235	225
Core deposit benefits	22 years/5 years	SL/AC	64	82
Mortgage servicing rights		[c]	2,210	2,546
Trust relationships	10 years/7 years	SL/AC	19	27
Other identified intangibles	6 years/4 years	SL/AC	336	343
Total			$12,782	$12,878

(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)	2020	2019	2018
Merchant processing contracts	$ 49	$ 45	$ 24
Core deposit benefits	18	22	26
Trust relationships	9	10	11
Other identified intangibles	100	91	100
Total	$176	$168	$161

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

(Dollars in Millions)	
2021	$149
2022	137
2023	98
2024	77
2025	52

The following table reflects the changes in the carrying value of goodwill for the years ended December 31, 2020, 2019 and 2018:

(Dollars in Millions)	Corporate and Commercial Banking	Consumer and Business Banking	Wealth Management Investment and Services	Payment Services	Treasury and Corporate Support	Consolidated Company
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
Goodwill acquired	–	–	–	180	–	180
Foreign exchange translation and other	–	–	2	81	–	83
Balance at December 31, 2020	$1,647	$3,475	$1,619	$3,177	$ –	$9,918

NOTE 11 Deposits

The composition of deposits at December 31 was as follows:

(Dollars in Millions)	2020	2019
Noninterest-bearing deposits	$118,089	$ 75,590
Interest-bearing deposits		
Interest checking	95,894	75,949
Money market savings	128,058	120,082
Savings accounts	57,035	47,401
Time deposits	30,694	42,894
Total interest-bearing deposits	311,681	286,326
Total deposits	$429,770	$361,916

The maturities of time deposits outstanding at December 31, 2020 were as follows:

(Dollars in Millions)	
2021	$23,808
2022	3,751
2023	1,314
2024	1,351
2025	468
Thereafter	2
Total	$30,694

NOTE 12 Short-Term Borrowings[(a)]

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

(Dollars in Millions)	2020 Amount	2020 Rate	2019 Amount	2019 Rate	2018 Amount	2018 Rate
At year-end						
Federal funds purchased	$ 777	.08%	$ 828	1.45%	$ 458	2.05%
Securities sold under agreements to repurchase	1,430	.16	1,165	1.41	2,582	2.20
Commercial paper	6,007	.01	7,576	1.07	6,940	1.35
Other short-term borrowings	3,552	1.51	14,154	1.94	4,159	2.68
Total	$11,766	.49%	$23,723	1.62%	$14,139	1.92%
Average for the year						
Federal funds purchased	$ 1,660	.35%	$ 1,457	1.94%	$ 1,070	1.70%
Securities sold under agreements to repurchase	1,686	.50	1,770	2.00	2,279	1.87
Commercial paper	8,141	.26	8,186	1.45	6,929	.94
Other short-term borrowings	7,695	1.41	6,724	2.78	11,512	2.27
Total	$19,182	.75%	$18,137	2.04%	$21,790	1.78%
Maximum month-end balance						
Federal funds purchased	$ 2,811		$ 3,629		$ 4,532	
Securities sold under agreements to repurchase	2,183		2,755		3,225	
Commercial paper	9,514		9,431		7,846	
Other short-term borrowings	20,569		14,154		16,588	

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

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	2020	2019
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	1,000
Medium-term notes	Fixed	.850% - 4.125%	2021 - 2030	15,492	13,820
	Floating	.855%	2022	250	250
Other[(b)]				683	33
Subtotal				20,924	18,602
Subsidiaries					
Federal Home Loan Bank advances	Fixed	1.250% - 8.250%	2021 - 2026	1,003	1,106
	Floating	.474% - .765%	2022 - 2026	3,272	3,272
Bank notes	Fixed	1.800% - 3.450%	2021 - 2025	9,100	9,550
	Floating	– % - .653%	2021 - 2059	5,888	6,789
Other[(c)]				1,110	848
Subtotal				20,373	21,565
Total				$41,297	$40,167

(a) Weighted-average interest rates of medium-term notes, Federal Home Loan Bank advances and bank notes were 2.61 percent, 1.12 percent and 1.83 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 $96.5 billion and $97.4 billion at December 31, 2020 and 2019, respectively, based on collateral available.

Maturities of long-term debt outstanding at December 31, 2020, were:

(Dollars in Millions)	Parent Company	Consolidated
2021	$ 1,509	$ 7,266
2022	3,855	8,610
2023	–	2,870
2024	5,913	5,933
2025	2,283	5,888
Thereafter	7,364	10,730
Total	$20,924	$41,297

NOTE 14 Shareholders' Equity

At December 31, 2020 and 2019, 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 shares of common stock outstanding at December 31, 2020 and 2019. The Company had 41 million shares reserved for future issuances, primarily under its stock incentive plans at December 31, 2020.

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

	2020				2019			
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
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
Series L	20,000	500	14	486	–	–	–	–
Total preferred stock[(a)]	209,510	$6,176	$193	$5,983	209,510	$6,176	$192	$5,984

(a) The par value of all shares issued and outstanding at December 31, 2020 and 2019, was $1.00 per share.

During 2020, the Company issued depositary shares representing an ownership interest in 20,000 shares of Series L Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $25,000 per share (the "Series L Preferred Stock"). The Series L 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 3.75 percent. The Series L Preferred Stock is redeemable at the Company's option, in whole or in part, on or after January 15, 2026. The Series L Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to January 15, 2026 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 L Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

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, subject to prior approval by 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”). During 2020, the Company provided notice of its intent to redeem all outstanding shares of the Series H Preferred Stock during the first quarter of 2021. The Company removed the outstanding liquidation preference amount of the Series H Preferred Stock from shareholders’ equity and included it in other liabilities on the Consolidated Balance Sheet as of December 31, 2020, because upon the notification date it became mandatorily redeemable. The liquidation preference amount equals the redemption price for all outstanding shares of the Series H Preferred Stock. The Company included a $13 million loss in the computation of earnings per diluted common share for 2020, which represents the stock issuance costs recorded in preferred stock upon the issuance of the Series H Preferred Stock that were reclassified to retained earnings on the notification date. Effective January 15, 2021, the Company redeemed all outstanding shares of the Series H Preferred Stock.

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 2020, 2019 and 2018, the Company repurchased shares of its common stock under various authorizations approved by its Board of Directors. Beginning in March 2020 and continuing through the remainder of the year, the Company suspended all common stock repurchases except for those done exclusively in connection with its stock-based compensation programs. This action was initially taken by the Company to maintain strong capital levels given the impact and uncertainties of COVID-19 on the economy and global markets. Due to continued economic uncertainty, the Federal Reserve Board implemented measures beginning in the third quarter of 2020 and extending through the first quarter of 2021, restricting capital distributions of all large bank holding companies, including the Company. These restrictions initially included capping common stock dividends at existing rates and restricting share repurchases, and currently limit the aggregate amount of common stock dividends and share repurchases to an amount that does not exceed the average net income of the four preceding calendar quarters. On December 22, 2020, the Company announced that it had received its results on the December 2020 Stress Test from the Federal Reserve. Based on those results, the Company announced that its Board of Directors had approved an authorization to repurchase up to $3.0 billion of its common stock beginning January 1, 2021. The Company will continue to monitor the impact of COVID-19 and will adjust its common stock repurchases as circumstances warrant, including remaining consistent with regulatory requirements.

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

(Dollars and Shares in Millions)	Shares	Value
2020	31	$1,661
2019	81	4,515
2018	54	2,844

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
2020						
Balance at beginning of period	$ 379	$ –	$ (51)	$(1,636)	$(65)	$(1,373)
Changes in unrealized gains and losses	2,905	–	(194)	(401)	–	2,310
Foreign currency translation adjustment[(a)]	–	–	–	–	2	2
Reclassification to earnings of realized gains and losses	(177)	–	10	125	—	(42)
Applicable income taxes	(690)	–	46	70	(1)	(575)
Balance at end of period	$2,417	$ –	$(189)	$(1,842)	$(64)	$ 322
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)

(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:

	Impact to Net Income			Affected Line Item in the
(Dollars in Millions)	2020	2019	2018	Consolidated Statement of Income
Unrealized gains (losses) on investment securities available-for-sale				
Realized gains (losses) on sale of investment securities	$ 177	$ 73	$ 30	Securities gains (losses), net
	(45)	(18)	(7)	Applicable income taxes
	132	55	23	Net-of-tax
Unrealized gains (losses) on investment securities transferred from available-for-sale to held-to-maturity				
Amortization of unrealized gains	–	7	9	Interest income
	–	(2)	(2)	Applicable income taxes
	–	5	7	Net-of-tax
Unrealized gains (losses) on derivative hedges				
Realized gains (losses) on derivative hedges	(10)	(11)	5	Interest expense
	3	3	(2)	Applicable income taxes
	(7)	(8)	3	Net-of-tax
Unrealized gains (losses) on retirement plans				
Actuarial gains (losses) and prior service cost (credit) amortization	(125)	(89)	(137)	Other noninterest expense
	32	22	35	Applicable income taxes
	(93)	(67)	(102)	Net-of-tax
Total impact to net income	$ 32	$(15)	$ (69)	

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, with the Company being subject to calculating its capital adequacy as a percentage of risk-weighted assets under the standardized approach.

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 risks and include certain off-balance sheet exposures, such as unfunded loan commitments, letters of credit, and derivative contracts. During 2020, the Company elected to adopt a rule issued during 2020 by its regulators which permits banking organizations who adopt accounting guidance related to the impairment of financial instruments based on the current expected credit losses methodology during 2020, the option to defer the impact of the effect of that guidance at adoption plus 25 percent of its quarterly credit reserve increases over the next two years on its regulatory capital requirements, followed by a three-year transition period to phase in the cumulative deferred impact.

The Company is also subject to leverage ratio requirements, 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 more risk-sensitive advanced approaches.

The following table provides 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, 2020 and 2019:

(Dollars in Millions)	U.S. Bancorp 2020	U.S. Bancorp 2019	U.S. Bank National Association 2020	U.S. Bank National Association 2019
Basel III standardized approach:				
Common shareholders' equity	$ 47,112	$ 45,869	$ 52,589	$ 48,592
Less intangible assets				
Goodwill (net of deferred tax liability)	(9,014)	(8,788)	(9,034)	(8,806)
Other disallowed intangible assets	(654)	(677)	(654)	(710)
Other(a)	601	(691)	1,254	38
Total common equity tier 1 capital	38,045	35,713	44,155	39,114
Qualifying preferred stock	5,983	5,984	–	–
Noncontrolling interests eligible for tier 1 capital	451	28	451	28
Other(b)	(5)	(4)	(6)	(4)
Total tier 1 capital	44,474	41,721	44,600	39,138
Eligible portion of allowance for credit losses	4,905	4,491	4,850	4,491
Subordinated debt and noncontrolling interests eligible for tier 2 capital	3,223	3,532	3,517	3,365
Total tier 2 capital	8,128	8,023	8,367	7,856
Total risk-based capital	$ 52,602	$ 49,744	$ 52,967	$ 46,994
Risk-weighted assets	$393,648	$391,269	$387,388	$383,560
Common equity tier 1 capital as a percent of risk-weighted assets	9.7%	9.1%	11.4%	10.2%
Tier 1 capital as a percent of risk-weighted assets	11.3	10.7	11.5	10.2
Total risk-based capital as a percent of risk-weighted assets	13.4	12.7	13.7	12.3
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	8.3	8.8	8.4	8.4
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	7.3	7.0	6.8%	6.7

	Minimum(c)	Well-Capitalized
Bank Regulatory Capital Requirements		
Common equity tier 1 capital as a percent of risk-weighted assets	7.0%	6.5%(d)
Tier 1 capital as a percent of risk-weighted assets	8.5	8.0
Total risk-based capital as a percent of risk-weighted assets	10.5	10.0
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	4.0	5.0(d)
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	3.0	3.0

(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. December 31, 2020 amounts also exclude the impact of the 2020 adoption of accounting guidance related to impairment of financial instruments based on the CECL methodology included in retained earnings.

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

(c) The minimum common equity tier 1 capital, tier 1 capital and total risk-based capital ratio requirements for 2020 reflect a stress capital buffer requirement of 2.5 percent. In 2019, these minimum capital ratio requirements reflected a capital conservation buffer requirement of 2.5 percent, which has since been replaced by the stress capital buffer requirement. Banks and financial services holding companies must maintain minimum capital levels, including a stress capital buffer requirement, to avoid limitations on capital distributions and certain discretionary compensation payments.

(d) A minimum well-capitalized threshold does not apply to U.S. Bancorp for this ratio as it is not formally defined under applicable banking regulations for bank holding companies.

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, 2020, 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)	2020	2019	2018
Net income attributable to U.S. Bancorp	$4,959	$6,914	$7,096
Preferred dividends	(304)	(302)	(282)
Impact of preferred stock call[(a)]	(13)	–	–
Earnings allocated to participating stock awards	(21)	(29)	(30)
Net income applicable to U.S. Bancorp common shareholders	$4,621	$6,583	$6,784
Average common shares outstanding	1,509	1,581	1,634
Net effect of the exercise and assumed purchase of stock awards	1	2	4
Average diluted common shares outstanding	1,510	1,583	1,638
Earnings per common share	$ 3.06	$ 4.16	$ 4.15
Diluted earnings per common share	$ 3.06	$ 4.16	$ 4.14

(a) Represents stock issuance costs originally recorded in preferred stock upon issuance of the Company's Series H 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, 2020, to purchase 2 million common shares and outstanding at December 31, 2019 and 2018, to purchase 1 million common shares, were not included in the computation of diluted earnings per share for the years ended December 31, 2020, 2019 and 2018, 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 $192 million, $179 million and $171 million in 2020, 2019 and 2018, respectively.

Pension Plans The Company has two tax qualified noncontributory defined benefit pension plans: the U.S. Bank Pension Plan and the U.S. Bank Legacy Pension Plan. The U.S. Bank Legacy Pension Plan was established effective January 1, 2020, to receive a transfer from the U.S. Bank Pension Plan of the accrued benefits and related plan assets of participants who terminated employment prior to January 1, 2020. The two plans have substantively identical terms. The plans provide benefits to substantially all the Company's 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 plans 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 past 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 plans' 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 plans, their performance and significant plan assumptions, including the assumed discount rate and the long-term rate of return ("LTROR"). 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 Compensation and Human Resources Committee (the "Committee") oversees the Company's process of evaluating the plans, their performance and significant plan assumptions.

The Company's funding policy is to contribute amounts to its plans 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 contributed $1.1 billion to its qualified pension plans in 2020. The Company did not contribute to its qualified pension plan in 2019. The Company does not expect to contribute to the plans in 2021. Any contributions made to the qualified plans are invested in accordance with established investment policies and asset allocation strategies.

In addition to the funded qualified pension plans, 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 plans. In 2021, the Company expects to contribute approximately $27 million to its non-qualified pension plan which equals the 2021 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. Prior to December 31, 2020, the postretirement welfare plan operated as a voluntary employees' beneficiary association ("VEBA") plan. Effective December 31, 2020, the VEBA trust was dissolved and the postretirement welfare plan now operates as an unfunded plan. In 2021, the Company expects to contribute approximately $5 million to its postretirement welfare plan which equals the 2021 expected benefit payments net of participant contributions.

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:

	Pension Plans		Postretirement Welfare Plan	
(Dollars in Millions)	2020	2019	2020	2019
Change In Projected Benefit Obligation[a]				
Benefit obligation at beginning of measurement period	$ 6,829	$ 5,507	$ 47	$ 54
Service cost	235	192	–	–
Interest cost	235	249	1	2
Participants' contributions	–	–	6	7
Plan amendments	(18)	–	–	–
Actuarial loss (gain)	754	1,100	(4)	(4)
Lump sum settlements	(55)	(56)	–	–
Benefit payments	(175)	(163)	(13)	(13)
Federal subsidy on benefits paid	–	–	1	1
Benefit obligation at end of measurement period[b]	$ 7,805	$ 6,829	$ 38	$ 47
Change In Fair Value Of Plan Assets				
Fair value at beginning of measurement period	$ 5,838	$ 4,936	$ 84	$ 81
Actual return on plan assets	737	1,095	1	6
Employer contributions	1,153	26	5	4
Participants' contributions	–	–	6	6
Lump sum settlements	(55)	(56)	–	–
Benefit payments	(175)	(163)	(13)	(13)
Other changes[c]	–	–	(83)	–
Fair value at end of measurement period	$ 7,498	$ 5,838	$ –	$ 84
Funded (Unfunded) Status	$ (307)	$ (991)	$(38)	$ 37
Components Of The Consolidated Balance Sheet				
Noncurrent benefit asset	$ 369	$ –	$ –	$ 37
Current benefit liability	(27)	(25)	(5)	–
Noncurrent benefit liability	(649)	(966)	(33)	–
Recognized amount	$ (307)	$ (991)	$(38)	$ 37
Accumulated Other Comprehensive Income (Loss), Pretax				
Net actuarial gain (loss)	$(2,557)	$(2,271)	$ 63	$ 68
Net prior service credit (cost)	18	–	11	14
Recognized amount	$(2,539)	$(2,271)	$ 74	$ 82

(a) The increases in the projected benefit obligation for 2020 and 2019 were primarily due to decreases in the discount rate.

(b) At December 31, 2020 and 2019, the accumulated benefit obligation for all pension plans was $7.1 billion and $6.2 billion, respectively.

(c) The fair value of postretirement welfare plan assets decreased in 2020 due to the dissolution of the VEBA trust. Prior to dissolution, the remaining assets in the VEBA trust were used to pay benefits under other programs of the Company's health and welfare plan, as permitted by the VEBA trust agreement. The postreirement welfare plan now operates as an unfunded plan.

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

(Dollars in Millions)	2020	2019
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	$676	$6,829
Fair value of plan assets	–	5,838
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets		
Accumulated benefit obligation	$628	$ 553
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)	2020	2019	2018	2020	2019	2018
Components Of Net Periodic Benefit Cost						
Service cost	$ 235	$ 192	$ 208	$ –	$ –	$ –
Interest cost	235	249	224	1	2	2
Expected return on plan assets	(403)	(383)	(379)	(3)	(3)	(3)
Prior service cost (credit) and transition obligation (asset) amortization	–	–	–	(3)	(3)	(3)
Actuarial loss (gain) amortization	134	98	146	(6)	(6)	(6)
Net periodic benefit cost	$ 201	$ 156	$ 199	$(11)	$(10)	$(10)
Other Changes In Plan Assets And Benefit Obligations Recognized In Other Comprehensive Income (Loss)						
Net actuarial gain (loss) arising during the year	$(420)	$(388)	$(305)	$ 1	$ 7	$ 3
Net actuarial loss (gain) amortized during the year	134	98	146	(6)	(6)	(6)
Net prior service (cost) credit and transition (obligation) asset arising during the year	18	–	–	–	–	–
Net prior service cost (credit) and transition obligation (asset) amortized during the year	–	–	–	(3)	(3)	(3)
Total recognized in other comprehensive income (loss)	$(268)	$(290)	$(159)	$ (8)	$ (2)	$ (6)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$(469)	$(446)	$(358)	$ 3	$ 8	$ 4

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)	2020	2019	2020	2019
Discount rate[(a)]	2.75%	3.40%	1.82%	2.80%
Cash balance interest crediting rate	3.00	3.00	*	*
Rate of compensation increase[(b)]	3.56	3.56	*	*
Health care cost trend rate[(c)]				
Prior to age 65			6.00%	6.25%
After age 65			6.00%	6.25%

(a) The discount rates were developed using a cash flow matching bond model with a modified duration for the qualified pension plan, legacy pension plan, non-qualified pension plan and postretirement welfare plan of 18.6, 12.9, 12.5 and 6.1 years, respectively, for 2020, and 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.

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

(c) The 2020 and 2019 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)	2020	2019	2018	2020	2019	2018
Discount rate[(a)]	3.40%	4.45%	3.84%	2.80%	4.05%	3.34%
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)]	3.56	3.52	3.56	*	*	*
Health care cost trend rate[(d)]						
Prior to age 65				6.25%	6.50%	6.75%
After age 65				6.25	10.00	6.75

(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 2020, and 14.7, 11.5 and 5.9 years, respectively, for 2019.

(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 2020, 2019 and 2018 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, 2020 and 2019, plan assets included an asset management arrangement with a related party totaling $1.0 billion and $57 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 plans 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 plans also invest 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 plans invest 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 Plans								Postretirement Welfare Plan	
	2020				2019				2020	2019
(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	$ 975[a]	$ –	$–	$ 975	$ 58	$ –	$–	$ 58	$–	$40
Debt securities	894	1,224	–	2,118	727	1,073	–	1,800	–	–
Mutual funds										
Debt securities	–	371	–	371	–	304	–	304	–	–
Emerging markets equity securities	–	174	–	174	–	136	–	136	–	–
Other	–	–	6	6	–	–	3	3	–	–
	$1,869	$1,769	$6	3,644	$785	$1,513	$3	2,301	–	40
Plan investment assets not classified in fair value hierarchy[b]:										
Collective investment funds										
Domestic equity securities				1,515				1,328	–	27
Mid-small cap equity securities[c]				431				323	–	–
International equity securities				718				752	–	17
Domestic real estate securities				520				547	–	–
Hedge funds[d]				251				283	–	–
Private equity funds[e]				419				304	–	–
Total plan investment assets at fair value				$7,498				$5,838	$–	$84

(a) Includes an employer contribution made in late 2020, which was invested consistently with the plan's target asset allocation subsequent to December 31, 2020.

(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, 2020 and 2019, securities included $431 million and $323 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 plans investment assets measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31:

	2020	2019	2018
(Dollars in Millions)	Other	Other	Other
Balance at beginning of period	$3	$3	$2
Unrealized gains (losses) relating to assets still held at end of year	3	–	–
Purchases, sales, and settlements, net	–	–	1
Balance at end of period	$6	$3	$3

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)
2021	$ 250	$ 5
2022	266	4
2023	292	4
2024	312	4
2025	362	3
2026-2030	1,880	12

(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, 2020, there were 28 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)
2020				
Number outstanding at beginning of period	5,718,256	$39.25		
Exercised	(513,293)	27.48		
Cancelled[a]	(24,572)	45.08		
Number outstanding at end of period[b]	5,180,391	$40.38	3.7	$ 32
Exercisable at end of period	4,942,077	$39.68	3.6	$ 34
2019				
Number outstanding at beginning of period	9,115,010	$34.52		
Exercised	(3,333,467)	26.36		
Cancelled[a]	(63,287)	36.74		
Number outstanding at end of period[b]	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		
Exercised	(3,443,494)	25.41		
Cancelled[a]	(109,963)	46.72		
Number outstanding at end of period[b]	9,115,010	$34.52	4.3	$102
Exercisable at end of period	7,372,036	$31.61	3.5	$104

Note: The Company did not grant any stock option awards during 2020, 2019 and 2018.

(a) Options cancelled include both non-vested (i.e., forfeitures) and vested options (i.e., expirations).

(b) 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 summarizes certain stock option activity of the Company:

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Fair value of options vested	$ 7	$10	$14
Intrinsic value of options exercised	11	95	97
Cash received from options exercised	14	88	87
Tax benefit realized from options exercised	3	24	24

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

Additional information regarding stock options outstanding as of December 31, 2020, 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	1,248	.3	$24.84	1,248	$24.84
$25.01—$30.00	1,047,197	.8	28.65	1,047,197	28.65
$30.01—$35.00	527,422	2.1	33.98	527,422	33.98
$35.01—$40.00	1,227,889	5.1	39.49	1,227,889	39.49
$40.01—$45.00	1,424,608	3.6	42.42	1,424,608	42.42
$45.01—$50.00	–	–	–	–	–
$50.01—$55.01	952,027	6.1	54.97	713,713	54.97
	5,180,391	3.7	$40.38	4,942,077	$39.68

Restricted Stock and Unit Awards

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

	2020		2019		2018	
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	6,606,833	$48.99	6,719,298	$48.17	7,446,955	$44.49
Granted	3,552,923	53.90	3,519,474	50.45	3,213,023	55.03
Vested	(3,534,770)	49.28	(3,270,778)	48.69	(3,373,323)	46.42
Cancelled	(281,673)	53.51	(361,161)	50.55	(567,357)	49.07
Outstanding at end of period	6,343,313	$51.38	6,606,833	$48.99	6,719,298	$48.17

The total fair value of shares vested was $182 million, $175 million and $182 million for the years ended December 31, 2020, 2019 and 2018, respectively. Stock-based compensation expense was $189 million, $178 million and $174 million for the years ended December 31, 2020, 2019 and 2018, respectively. On an after-tax basis, stock-based compensation was $142 million, $133 million and $130 million for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, there was $128 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)	2020	2019	2018
Federal			
Current	$1,146	$1,162	$1,287
Deferred	(291)	166	(148)
Federal income tax	855	1,328	1,139
State			
Current	355	379	395
Deferred	(144)	(59)	20
State income tax	211	320	415
Total income tax provision	$1,066	$1,648	$1,554

A reconciliation of expected income tax expense at the federal statutory rate of 21 percent to the Company's applicable income tax expense follows:

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Tax at statutory rate	$1,271	$1,805	$1,822
State income tax, at statutory rates, net of federal tax benefit	240	355	352
Tax effect of			
Tax credits and benefits, net of related expenses	(370)	(424)	(513)
Tax-exempt income	(117)	(120)	(130)
Nondeductible legal and regulatory expenses	29	23	52
Other items[(a)]	13	9	(29)
Applicable income taxes	$1,066	$1,648	$1,554

(a) 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, 2014 are completed and resolved. The Company's tax returns for the years ended December 31, 2015, 2016, 2017 and 2018 are under examination by the Internal Revenue Service. The years open to examination by foreign, 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)	2020	2019	2018
Balance at beginning of period	$432	$335	$287
Additions for tax positions taken in prior years	62	168	93
Additions for tax positions taken in the current year	6	6	10
Exam resolutions	(8)	(62)	(51)
Statute expirations	(18)	(15)	(4)
Balance at end of period	$474	$432	$335

The total amount of uncertain tax positions that, if recognized, would impact the effective income tax rate as of December 31, 2020, 2019 and 2018, were $280 million, $274 million and $273 million, respectively. The Company classifies interest and penalties related to uncertain tax positions as a component of income tax expense. At December 31, 2020, the Company's uncertain tax position balance included $40 million of accrued interest and penalties. During the years ended December 31, 2020, 2019 and 2018 the Company recorded approximately $5 million, $7 million and $(25) 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)	2020	2019
Deferred Tax Assets		
Federal, state and foreign net operating loss and credit carryforwards	$ 2,495	$ 2,592
Allowance for credit losses	2,042	1,155
Accrued expenses	554	485
Obligation for operating leases	293	328
Pension and postretirement benefits	108	193
Stock compensation	84	78
Partnerships and other investment assets	9	91
Fixed assets	–	2
Other deferred tax assets, net	383	257
Gross deferred tax assets	5,968	5,181
Deferred Tax Liabilities		
Leasing activities	(2,511)	(2,700)
Goodwill and other intangible assets	(802)	(763)
Securities available-for-sale and financial instruments	(755)	(111)
Mortgage servicing rights	(408)	(546)
Right of use operating leases	(249)	(282)
Fixed assets	(226)	–
Loans	(112)	(139)
Other deferred tax liabilities, net	(145)	(131)
Gross deferred tax liabilities	(5,208)	(4,672)
Valuation allowance	(163)	(127)
Net Deferred Tax Asset	$ 597	$ 382

The Company has approximately $2.3 billion of federal, state and foreign net operating loss carryforwards which expire at various times beginning in 2021. A substantial portion of these carryforwards relate to state-only net operating losses, for which the related deferred tax asset is subject to a full valuation allowance as the carryforwards 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 $2.3 billion of federal credit carryforwards which expire at various times through 2040 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, 2020, 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 available-for-sale investment securities and 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, 2020, the Company had $189 million (net-of-tax) of realized and unrealized losses on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with $51 million (net-of-tax) of realized and unrealized losses at December 31, 2019. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the next 12 months is a loss of $41 million (net-of-tax). All cash flow hedges were highly effective for the year ended December 31, 2020.

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 $1.4 billion at December 31, 2020, compared with $1.3 billion December 31, 2019.

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 to earnings 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, 2020						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	$ 8,500	$ –	1.86	$ –	$ –	–
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	–	–	–	3,250	–	4.59
Net investment hedges						
Foreign exchange forward contracts	479	–	.06	336	3	.06
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	16,431	73	.50	1,925	5	.07
Sell	10,440	48	.04	28,976	157	.07
Options						
Purchased	11,610	121	4.11	–	–	–
Written	5,073	202	.13	7,770	198	2.53
Receive fixed/pay floating swaps	11,064	–	7.31	907	–	23.43
Pay fixed/receive floating swaps	78	–	13.68	8,538	–	5.67
Foreign exchange forward contracts	292	1	.04	341	2	.05
Equity contracts	127	3	.39	45	–	.46
Other[(a)]	47	1	.11	1,832	183	2.44
Total	$64,141	$449		$53,920	$548	
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	

(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, $182 million and 2.50 years at December 31, 2020, respectively, compared to $1.8 billion, $165 million and 2.50 years at December 31, 2019, respectively. In addition, includes short-term underwriting purchase and sale commitments with total asset and liability notional values of $47 million at December 31, 2020, and $34 million at December 31, 2019.

The following table summarizes the customer-related 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, 2020						
Interest rate contracts						
Receive fixed/pay floating swaps	$144,859	$3,782	4.93	$ 12,027	$ 99	8.72
Pay fixed/receive floating swaps	15,048	2	8.43	134,963	1,239	4.71
Other[(a)]	9,921	6	3.75	6,387	3	4.22
Options						
Purchased	72,655	111	1.40	1,454	46	2.96
Written	1,736	46	2.76	68,205	81	1.25
Futures						
Buy	1,851	–	1.22	924	–	.05
Sell	–	–	–	4,090	–	.72
Foreign exchange rate contracts						
Forwards, spots and swaps	44,845	1,590	.96	45,992	1,565	1.13
Options						
Purchased	519	14	.90	–	–	–
Written	–	–	–	519	14	.90
Credit contracts	2,876	1	2.75	7,479	7	3.81
Total	$294,310	$5,552		$282,040	$3,054	
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	

(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)	2020	2019	2018	2020	2019	2018
Asset and Liability Management Positions						
Cash flow hedges						
Interest rate contracts	$(145)	$(171)	$29	$(7)	$(8)	$3
Net investment hedges						
Foreign exchange forward contracts	(21)	3	39	–	–	–
Non-derivative debt instruments	(90)	13	32	–	–	–

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:

	Interest Income			Interest Expense		
(Dollars in Millions)	2020	2019	2018	2020	2019	2018
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	$14,840	$17,494	$16,173	$2,015	$4,442	$3,254
Asset and Liability Management Positions						
Fair value hedges						
Interest rate contract derivatives	1	–	–	(134)	(44)	5
Hedged items	(1)	–	–	134	44	(5)
Cash Flow hedges						
Interest rate contract derivatives	–	–	–	10	11	(5)

Note: The Company does not exclude components from effectiveness testing for fair value and cash flow hedges. The Company reclassified losses of $41 million into earnings during the year ended December 31, 2020, as a result of the discontinuance of 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 and 2018.

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

	Carrying Amount of the Hedged Assets and Liabilities		Cumulative Hedging Adjustment(a)	
At December 31 (Dollars in Millions)	2020	2019	2020	2019
Line Item in the Consolidated Balance Sheet				
Available-for-sale investment securities	$ 99	$ –	$ (1)	$ –
Long-term debt	8,567	23,195	903	35

(a) The cumulative hedging adjustment related to discontinued hedging relationships was $726 million and $(7) million at December 31, 2020 and 2019, 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	2020	2019	2018
Asset and Liability Management Positions				
Other economic hedges				
Interest rate contracts				
Futures and forwards	Mortgage banking revenue/ other noninterest income	$ 82	$ 34	$ 110
Purchased and written options	Mortgage banking revenue	1,527	432	188
Swaps	Mortgage banking revenue	598	316	(111)
Foreign exchange forward contracts	Other noninterest income	3	(24)	39
Equity contracts	Compensation expense	3	–	(4)
Other	Other noninterest income	(70)	(140)	2
Customer-Related Positions				
Interest rate contracts				
Swaps	Commercial products revenue	135	82	47
Purchased and written options	Commercial products revenue	(8)	10	2
Futures	Commercial products revenue	(18)	(5)	9
Foreign exchange rate contracts				
Forwards, spots and swaps	Commercial products revenue	78	82	84
Purchased and written options	Commercial products revenue	1	1	–
Credit contracts	Commercial products revenue	(32)	(18)	2

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, 2020, was $1.5 billion. At December 31, 2020, the Company had $1.3 billion 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 $694.4 billion total notional amount of derivative positions at December 31, 2020, $362.8 billion related to bilateral over-the-counter trades, $315.5 billion related to those centrally cleared through clearinghouses and $16.1 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, 2020					
Repurchase agreements					
U.S. Treasury and agencies	$ 472	$–	$–	$–	$ 472
Residential agency mortgage-backed securities	398	–	–	–	398
Corporate debt securities	560	–	–	–	560
Total repurchase agreements	1,430	–	–	–	1,430
Securities loaned					
Corporate debt securities	218	–	–	–	218
Total securities loaned	218	–	–	–	218
Gross amount of recognized liabilities	$1,648	$–	$–	$–	$1,648
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

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:

(Dollars in Millions)	Gross Recognized Assets	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: Financial Instruments[(b)]	Gross Amounts Not Offset on the Consolidated Balance Sheet: Collateral Received[(c)]	Net Amount
December 31, 2020						
Derivative assets[(d)]	$5,744	$(1,874)	$3,870	$(109)	$ (287)	$3,474
Reverse repurchase agreements	377	–	377	(262)	(115)	–
Securities borrowed	1,716	–	1,716	–	(1,670)	46
Total	$7,837	$(1,874)	$5,963	$(371)	$(2,072)	$3,520
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

(a) *Includes $898 million and $429 million of cash collateral related payables that were netted against derivative assets at December 31, 2020 and 2019, 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 $257 million and $40 million at December 31, 2020 and 2019, 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: Financial Instruments[(b)]	Gross Amounts Not Offset on the Consolidated Balance Sheet: Collateral Pledged[(c)]	Net Amount
December 31, 2020						
Derivative liabilities[(d)]	$3,419	$(2,312)	$1,107	$(109)	$ –	$ 998
Repurchase agreements	1,430	–	1,430	(262)	(1,168)	–
Securities loaned	218	–	218	–	(215)	3
Total	$5,067	$(2,312)	$2,755	$(371)	$(1,383)	$1,001
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

(a) *Includes $1.3 billion and $514 million of cash collateral related receivables that were netted against derivative liabilities at December 31, 2020 and 2019, 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 $183 million and $167 million at December 31, 2020 and 2019, 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, 2020, 2019 and 2018, 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 $362 million, a net gain of $73 million and a net loss of $60 million for the years ended December 31, 2020, 2019 and 2018, 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, 2020:

	Minimum	Maximum	Weighted Average(a)
Expected prepayment	9%	21%	14%
Option adjusted spread	6	11	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, 2020:

	Minimum	Maximum	Weighted Average[(a)]
Expected loan close rate	22%	100%	76%
Inherent MSR value (basis points per loan)	39	177	117

(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, 2020, the minimum, maximum and weighted average credit valuation adjustment as a percentage of the net fair value of the counterparty's derivative contracts prior to adjustment was 0 percent, 100 percent and 2 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 occurring, 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, 2020					
Available-for-sale securities					
U.S. Treasury and agencies	$19,251	$ 3,140	$ –	$ –	$ 22,391
Mortgage-backed securities					
Residential agency	–	99,968	–	–	99,968
Commercial agency	–	5,406	–	–	5,406
Asset-backed securities	–	198	7	–	205
Obligations of state and political subdivisions	–	8,860	1	–	8,861
Other	–	9	–	–	9
Total available-for-sale	19,251	117,581	8	–	136,840
Mortgage loans held for sale	–	8,524	–	–	8,524
Mortgage servicing rights	–	–	2,210	–	2,210
Derivative assets	4	3,235	2,762	(1,874)	4,127
Other assets	302	1,601	–	–	1,903
Total	$19,557	$130,941	$4,980	$(1,874)	$153,604
Derivative liabilities	$ –	$ 3,166	$ 436	$(2,312)	$ 1,290
Short-term borrowings and other liabilities[a]	85	1,672	–	–	1,757
Total	$ 85	$ 4,838	$ 436	$(2,312)	$ 3,047
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	–	375	8	–	383
Obligations of state and political subdivisions	–	6,813	1	–	6,814
Other	–	13	–	–	13
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

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 $85 million and $91 million at December 31, 2020 and 2019, respectively. The Company has not recorded impairments or adjustments for observable price changes on these equity investments during 2020 and 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	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
2020										
Available-for-sale securities										
Asset-backed securities	$ 8	$ –	$ –	$ –	$(1)	$ –	$ –	$–	$ 7	$ –
Obligations of state and political subdivisions	1	–	–	–	–	–	–	–	1	–
Total available-for-sale	9	–	–	–	(1)	–	–	–	8	–
Mortgage servicing rights	2,546	(1,403)[a]	34	3	–	1,030[c]	–	–	2,210	(1,403)[a]
Net derivative assets and liabilities	810	2,922[b]	247	(3)	–	–	(1,650)	–	2,326	1,649[d]
2019										
Available-for-sale securities										
Asset-backed securities	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$8	$ 8	$ –
Obligations of state and political subdivisions	–	–	–	–	–	–	–	1	1	–
Total available-for-sale	–	–	–	–	–	–	–	9	9	–
Mortgage servicing rights	2,791	(829)[a]	20	5	–	559[c]	–	–	2,546	(829)[a]
Net derivative assets and liabilities	80	769[e]	142	(9)	–	–	(172)	–	810	782[f]
2018										
Mortgage servicing rights	$2,645	$ (232)[a]	$ 8	$(27)	$ –	$ 397[c]	$ –	$–	$2,791	$ (232)[a]
Net derivative assets and liabilities	107	21[g]	13	(41)	–	–	(20)	–	80	34[h]

(a) Included in mortgage banking revenue.
(b) Approximately $1.9 billion, $1.1 billion and $(70) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.
(c) Represents MSRs capitalized during the period.
(d) Approximately $247 million, $1.5 billion and $(70) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.
(e) Approximately $482 million, $428 million and $(141) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.
(f) Approximately $35 million, $888 million and $(141) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.
(g) Approximately $160 million, $(141) million and $2 million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.
(h) Approximately $20 million, $12 million and $2 million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

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:

	2020				2019			
(Dollars in Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans[(a)]	$–	$–	$385	$385	$–	$–	$136	$136
Other assets[(b)]	–	–	30	30	–	–	46	46

(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)	2020	2019	2018
Loans[(a)]	$426	$122	$83
Other assets[(b)]	21	17	26

(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:

	2020			2019		
(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	$8,524	$8,136	$388	$5,533	$5,366	$167
Nonaccrual loans	1	1	–	1	1	–
Loans 90 days or more past due	2	2	–	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, 2020 and 2019. 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:

	2020					2019				
	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	$ 62,580	$62,580	$ –	$ –	$ 62,580	$ 22,405	$22,405	$ –	$ –	$ 22,405
Federal funds sold and securities purchased under resale agreements	377	–	377	–	377	1,036	–	1,036	–	1,036
Loans held for sale[(a)]	237	–	–	237	237	45	–	–	43	43
Loans	290,393	–	–	300,419	300,419	292,082	–	–	297,241	297,241
Other[(b)]	1,772	–	731	1,041	1,772	1,923	–	929	994	1,923
Financial Liabilities										
Time deposits	30,694	–	30,864	–	30,864	42,894	–	42,831	–	42,831
Short-term borrowings[(c)]	10,009	–	9,956	–	9,956	22,095	–	21,961	–	21,961
Long-term debt	41,297	–	42,485	–	42,485	40,167	–	41,077	–	41,077
Other[(d)]	4,052	–	1,234	2,818	4,052	3,678	–	1,342	2,336	3,678

(a) Excludes mortgages held for sale for which the fair value option under applicable accounting guidance was elected.
(b) Includes investments in Federal Reserve Bank and Federal Home Loan Bank stock and tax-advantaged investments.
(c) Excludes the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.
(d) Includes operating lease liabilities and liabilities related to tax-advantaged investments.

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 $774 million and $528 million at December 31, 2020 and 2019, respectively. The carrying value of other guarantees was $362 million and $200 million at December 31, 2020 and 2019, 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 Brands") are defendants in antitrust lawsuits challenging the practices of the Card Brands (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. Thereafter, the case was split into two putative class actions, one seeking damages (the "Damages Action") and a separate class action seeking injunctive relief only (the "Injunctive Action"). In September 2018, Visa signed a new settlement agreement, superseding the original settlement agreement, to resolve the Damages Action. The Damages Action settlement was approved by the United States District Court for the Eastern District of New York, but is now on appeal. The Injunctive Action, which generally seeks changes to Visa rules, is still pending.

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, 2020, 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	$ 43,642	$110,382	$154,024
Corporate and purchasing card loans[(a)]	29,541	–	29,541
Residential mortgages	319	1	320
Retail credit card loans[(a)]	117,827	–	117,827
Other retail loans	12,980	22,998	35,978
Other	6,486	10	6,496

(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, 2020:

(Dollars in Millions)	Collateral Held	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	$ –	$ 70	$ 9,789
Third party borrowing arrangements	–	–	2
Securities lending indemnifications	6,461	–	6,298
Asset sales	–	80	6,165
Merchant processing	579	211	89,352
Tender option bond program guarantee	2,374	–	2,036
Other	–	71	1,292

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, 2020, were approximately $9.8 billion with a weighted-average term of approximately 19 months. The estimated fair value of standby letters of credit was approximately $70 million at December 31, 2020.

The contract or notional amount of letters of credit at December 31, 2020, were as follows:

	Term		
(Dollars in Millions)	Less Than One Year	Greater Than One Year	Total
Standby	$4,526	$5,263	$9,789
Commercial	536	30	566

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 $2 million at December 31, 2020.

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 $6.3 billion at December 31, 2020, and represent the fair value of the securities lent to third parties. At December 31, 2020, the Company held $6.5 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 $6.2 billion at December 31, 2020, 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, 2020, the Company had reserved $80 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, 2020, the Company had reserved $19 million for potential losses from representation and warranty obligations, compared with $9 million at December 31, 2019. 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, 2020 and 2019, the Company had $13 million and $10 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 2020 this amount totaled approximately $89.4 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 and Europe through wholly-owned subsidiaries. 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, 2020, the value of airline tickets purchased to be delivered at a future date through card transactions processed by the Company was $6.0 billion. The Company held collateral of $442 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, 2020, the liability was $185 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, 2020, the Company held $137 million of merchant escrow deposits as collateral and had a recorded liability for potential losses of $26 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, 2020, the Company guaranteed $2.0 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 $2.4 billion of available-for-sale investment securities serving as collateral for this arrangement.

Other Guarantees and Commitments As of December 31, 2020, 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, 2020, 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, 2020, 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, 2020.

The Company has also made other financial performance guarantees and commitments primarily related to the operations of its subsidiaries. At December 31, 2020, the maximum potential future payments guaranteed or committed by the Company under these arrangements were approximately $611 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. 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).

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 according to the volume and credit quality of the loan balances managed, but with the impact of changes in economic forecasts recorded in Treasury and Corporate Support. 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 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 2020, certain organization and methodology changes were made and, accordingly, 2019 results were restated and presented on a comparable basis.

Business segment results for the years ended December 31 were as follows:

(Dollars in Millions)	Corporate and Commercial Banking 2020	Corporate and Commercial Banking 2019	Consumer and Business Banking 2020	Consumer and Business Banking 2019	Wealth Management and Investment Services 2020	Wealth Management and Investment Services 2019
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 3,259	$ 3,101	$ 6,263	$ 6,351	$ 996	$ 1,172
Noninterest income	1,078	861	3,360	2,385	1,877	1,803
Total net revenue	4,337	3,962	9,623	8,736	2,873	2,975
Noninterest expense	1,680	1,624	5,573	5,257	1,871	1,775
Other intangibles	–	4	16	20	12	13
Total noninterest expense	1,680	1,628	5,589	5,277	1,883	1,788
Income (loss) before provision and income taxes	2,657	2,334	4,034	3,459	990	1,187
Provision for credit losses	575	89	322	311	38	(3)
Income (loss) before income taxes	2,082	2,245	3,712	3,148	952	1,190
Income taxes and taxable-equivalent adjustment	521	562	929	789	238	299
Net income (loss)	1,561	1,683	2,783	2,359	714	891
Net (income) loss attributable to noncontrolling interests	–	–	–	–	–	–
Net income (loss) attributable to U.S. Bancorp	$ 1,561	$ 1,683	$ 2,783	$ 2,359	$ 714	$ 891
Average Balance Sheet						
Loans	$108,320	$ 99,037	$152,634	$144,616	$ 11,327	$ 10,085
Other earning assets	4,163	3,751	7,186	3,989	287	282
Goodwill	1,647	1,647	3,500	3,496	1,617	1,617
Other intangible assets	6	8	2,106	2,619	39	49
Assets	120,829	108,983	170,531	158,932	14,448	13,336
Noninterest-bearing deposits	40,109	29,400	35,543	27,831	16,275	13,231
Interest-bearing deposits	83,684	72,822	147,336	129,235	66,172	62,142
Total deposits	123,793	102,222	182,879	157,066	82,447	75,373
Total U.S. Bancorp shareholders' equity	16,385	15,508	15,058	15,151	2,482	2,441

(Dollars in Millions)	Payment Services 2020	Payment Services 2019	Treasury and Corporate Support 2020	Treasury and Corporate Support 2019	Consolidated Company 2020	Consolidated Company 2019
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 2,530	$ 2,474	$ (124)	$ 57	$ 12,924	$ 13,155
Noninterest income	3,124(a)	3,711(a)	962	1,071	10,401(b)	9,831(b)
Total net revenue	5,654	6,185	838	1,128	23,325	22,986
Noninterest expense	3,133	3,005	936	956	13,193	12,617
Other intangibles	148	131	–	–	176	168
Total noninterest expense	3,281	3,136	936	956	13,369	12,785
Income (loss) before provision and income taxes	2,373	3,049	(98)	172	9,956	10,201
Provision for credit losses	681	1,109	2,190	(2)	3,806	1,504
Income (loss) before income taxes	1,692	1,940	(2,288)	174	6,150	8,697
Income taxes and taxable-equivalent adjustment	423	486	(946)	(385)	1,165	1,751
Net income (loss)	1,269	1,454	(1,342)	559	4,985	6,946
Net (income) loss attributable to noncontrolling interests	–	–	(26)	(32)	(26)	(32)
Net income (loss) attributable to U.S. Bancorp	$ 1,269	$ 1,454	$ (1,368)	$ 527	$ 4,959	$ 6,914
Average Balance Sheet						
Loans	$ 31,539	$ 33,566	$ 3,449	$ 3,382	$307,269	$290,686
Other earning assets	5	6	162,492	131,823	174,133	139,851
Goodwill	3,060	2,818	–	–	9,824	9,578
Other intangible assets	580	536	–	–	2,731	3,212
Assets	36,496	39,424	188,903	154,978	531,207	475,653
Noninterest-bearing deposits	4,356	1,261	2,256	2,140	98,539	73,863
Interest-bearing deposits	122	114	2,762	8,636	300,076	272,949
Total deposits	4,478	1,375	5,018	10,776	398,615	346,812
Total U.S. Bancorp shareholders' equity	6,095	6,069	12,226	13,454	52,246	52,623

(a) Presented net of related rewards and rebate costs and certain partner payments of $2.1 billion and $2.2 billion for 2020 and 2019, respectively.

(b) Includes revenue generated from certain contracts with customers of $6.9 billion and $7.3 billion for 2020 and 2019, respectively.

NOTE 24 U.S. Bancorp (Parent Company)

Condensed Balance Sheet

At December 31 (Dollars in Millions)	2020	2019
Assets		
Due from banks, principally interest-bearing	$12,279	$11,583
Available-for-sale investment securities	1,469	1,631
Investments in bank subsidiaries	52,551	48,518
Investments in nonbank subsidiaries	3,286	3,128
Advances to bank subsidiaries	3,850	3,850
Advances to nonbank subsidiaries	1,118	1,465
Other assets	869	1,211
Total assets	$75,422	$71,386
Liabilities and Shareholders' Equity		
Short-term funds borrowed	$ –	$ 8
Long-term debt	20,924	18,602
Other liabilities	1,403	923
Shareholders' equity	53,095	51,853
Total liabilities and shareholders' equity	$75,422	$71,386

Condensed Income Statement

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Income			
Dividends from bank subsidiaries	$1,500	$7,100	$5,300
Dividends from nonbank subsidiaries	24	6	6
Interest from subsidiaries	172	317	220
Other income	85	25	33
Total income	1,781	7,448	5,559
Expense			
Interest expense	433	551	471
Other expense	140	140	133
Total expense	573	691	604
Income before income taxes and equity in undistributed income of subsidiaries	1,208	6,757	4,955
Applicable income taxes	(78)	(92)	(91)
Income of parent company	1,286	6,849	5,046
Equity in undistributed income of subsidiaries	3,673	65	2,050
Net income attributable to U.S. Bancorp	$4,959	$6,914	$7,096

Condensed Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2020	2019	2018
Operating Activities			
Net income attributable to U.S. Bancorp	$ 4,959	$ 6,914	$ 7,096
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(3,673)	(65)	(2,050)
Other, net	907	231	359
Net cash provided by operating activities	2,193	7,080	5,405
Investing Activities			
Proceeds from sales and maturities of investment securities	258	291	39
Purchases of investment securities	–	(1,013)	(10)
Net (increase) decrease in short-term advances to subsidiaries	347	578	(488)
Long-term advances to subsidiaries	–	(2,600)	(500)
Principal collected on long-term advances to subsidiaries	–	2,550	–
Other, net	379	(341)	304
Net cash provided by (used in) investing activities	984	(535)	(655)
Financing Activities			
Net increase (decrease) in short-term borrowings	(8)	8	(1)
Proceeds from issuance of long-term debt	2,750	3,743	2,100
Principal payments or redemption of long-term debt	(1,200)	(1,500)	(1,500)
Proceeds from issuance of preferred stock	486	–	565
Proceeds from issuance of common stock	15	88	86
Repurchase of common stock	(1,672)	(4,525)	(2,822)
Cash dividends paid on preferred stock	(300)	(302)	(274)
Cash dividends paid on common stock	(2,552)	(2,443)	(2,092)
Net cash used in financing activities	(2,481)	(4,931)	(3,938)
Change in cash and due from banks	696	1,614	812
Cash and due from banks at beginning of year	11,583	9,969	9,157
Cash and due from banks at end of year	$12,279	$11,583	$ 9,969

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, 2020 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)	2020	2019	2018	2017	2016	% Change 2020 v 2019
Assets						
Cash and due from banks	$ 62,580	$ 22,405	$ 21,453	$ 19,505	$ 15,705	*%
Held-to-maturity securities	–	–	46,050	44,362	42,991	–
Available-for-sale securities	136,840	122,613	66,115	68,137	66,284	11.6
Loans held for sale	8,761	5,578	2,056	3,554	4,826	57.1
Loans	297,707	296,102	286,810	280,432	273,207	.5
Less allowance for loan losses	(7,314)	(4,020)	(3,973)	(3,925)	(3,813)	(81.9)
Net loans	290,393	292,082	282,837	276,507	269,394	(.6)
Other assets	55,331	52,748	48,863	49,975	46,764	4.9
Total assets	$553,905	$495,426	$467,374	$462,040	$445,964	11.8
Liabilities and Shareholders' Equity						
Deposits						
Noninterest-bearing	$118,089	$ 75,590	$ 81,811	$ 87,557	$ 86,097	56.2%
Interest-bearing	311,681	286,326	263,664	259,658	248,493	8.9
Total deposits	429,770	361,916	345,475	347,215	334,590	18.7
Short-term borrowings	11,766	23,723	14,139	16,651	13,963	(50.4)
Long-term debt	41,297	40,167	41,340	32,259	33,323	2.8
Other liabilities	17,347	17,137	14,763	16,249	16,155	1.2
Total liabilities	500,180	442,943	415,717	412,374	398,031	12.9
Total U.S. Bancorp shareholders' equity	53,095	51,853	51,029	49,040	47,298	2.4
Noncontrolling interests	630	630	628	626	635	–
Total equity	53,725	52,483	51,657	49,666	47,933	2.4
Total liabilities and equity	$553,905	$495,426	$467,374	$462,040	$445,964	11.8

* *Not meaningful*

U.S. Bancorp
Consolidated Statement of Income — Five-Year Summary (Unaudited)

Year Ended December 31 (Dollars in Millions)	2020	2019	2018	2017	2016	% Change 2020 v 2019
Interest Income						
Loans	$12,018	$14,099	$13,120	$11,788	$10,777	(14.8)%
Loans held for sale	216	162	165	144	154	33.3
Investment securities	2,428	2,893	2,616	2,232	2,078	(16.1)
Other interest income	178	340	272	182	125	(47.6)
Total interest income	14,840	17,494	16,173	14,346	13,134	(15.2)
Interest Expense						
Deposits	950	2,855	1,869	1,041	622	(66.7)
Short-term borrowings	141	360	378	141	92	(60.8)
Long-term debt	924	1,227	1,007	784	754	(24.7)
Total interest expense	2,015	4,442	3,254	1,966	1,468	(54.6)
Net interest income	12,825	13,052	12,919	12,380	11,666	(1.7)
Provision for credit losses	3,806	1,504	1,379	1,390	1,324	*
Net interest income after provision for credit losses	9,019	11,548	11,540	10,990	10,342	(21.9)
Noninterest Income						
Credit and debit card revenue	1,338	1,413	1,401	1,289	1,206	(5.3)
Corporate payment products revenue	497	664	644	575	541	(25.2)
Merchant processing services	1,261	1,601	1,531	1,486	1,498	(21.2)
Trust and investment management fees	1,736	1,673	1,619	1,522	1,427	3.8
Deposit service charges	677	909	1,070	1,035	983	(25.5)
Treasury management fees	568	578	594	618	583	(1.7)
Commercial products revenue	1,143	934	895	954	971	22.4
Mortgage banking revenue	2,064	874	720	834	979	*
Investment products fees	192	186	188	173	169	3.2
Securities gains (losses), net	177	73	30	57	22	*
Other	748	926	910	774	911	(19.2)
Total noninterest income	10,401	9,831	9,602	9,317	9,290	5.8
Noninterest Expense						
Compensation	6,635	6,325	6,162	5,746	5,212	4.9
Employee benefits	1,303	1,286	1,231	1,134	1,008	1.3
Net occupancy and equipment	1,092	1,123	1,063	1,019	988	(2.8)
Professional services	430	454	407	419	502	(5.3)
Marketing and business development	318	426	429	542	435	(25.4)
Technology and communications	1,294	1,095	978	903	877	18.2
Postage, printing and supplies	288	290	324	323	311	(.7)
Other intangibles	176	168	161	175	179	4.8
Other	1,833	1,618	1,709	2,529	2,015	13.3
Total noninterest expense	13,369	12,785	12,464	12,790	11,527	4.6
Income before income taxes	6,051	8,594	8,678	7,517	8,105	(29.6)
Applicable income taxes	1,066	1,648	1,554	1,264	2,161	(35.3)
Net income	4,985	6,946	7,124	6,253	5,944	(28.2)
Net (income) loss attributable to noncontrolling interests	(26)	(32)	(28)	(35)	(56)	18.8
Net income attributable to U.S. Bancorp	$ 4,959	$ 6,914	$ 7,096	$ 6,218	$ 5,888	(28.3)
Net income applicable to U.S. Bancorp common shareholders	$ 4,621	$ 6,583	$ 6,784	$ 5,913	$ 5,589	(29.8)

* *Not meaningful*

U.S. Bancorp
Quarterly Consolidated Financial Data (Unaudited)

(Dollars in Millions, Except Per Share Data)	2020 First Quarter	2020 Second Quarter	2020 Third Quarter	2020 Fourth Quarter	2019 First Quarter	2019 Second Quarter	2019 Third Quarter	2019 Fourth Quarter
Interest Income								
Loans	$3,311	$2,949	$2,892	$2,866	$3,540	$3,582	$3,555	$3,422
Loans held for sale	44	52	61	59	25	34	48	55
Investment securities	692	630	586	520	705	745	734	709
Other interest income	69	41	34	34	81	90	100	69
Total interest income	4,116	3,672	3,573	3,479	4,351	4,451	4,437	4,255
Interest Expense								
Deposits	525	194	130	101	695	762	744	654
Short-term borrowings	71	34	19	17	93	91	97	79
Long-term debt	297	244	197	186	304	293	315	315
Total interest expense	893	472	346	304	1,092	1,146	1,156	1,048
Net interest income	3,223	3,200	3,227	3,175	3,259	3,305	3,281	3,207
Provision for credit losses	993	1,737	635	441	377	365	367	395
Net interest income after provision for credit losses	2,230	1,463	2,592	2,734	2,882	2,940	2,914	2,812
Noninterest Income								
Credit and debit card revenue	304	284	388	362	304	365	366	378
Corporate payment products revenue	145	101	125	126	162	167	177	158
Merchant processing services	337	266	347	311	378	404	410	409
Trust and investment management fees	427	434	434	441	399	415	421	438
Deposit service charges	209	133	170	165	217	227	234	231
Treasury management fees	143	137	145	143	146	153	139	140
Commercial products revenue	246	355	303	239	219	249	240	226
Mortgage banking revenue	395	648	553	468	169	189	272	244
Investment products fees	49	45	48	50	45	47	46	48
Securities gains (losses), net	50	81	12	34	5	17	25	26
Other	220	130	187	211	247	257	284	138
Total noninterest income	2,525	2,614	2,712	2,550	2,291	2,490	2,614	2,436
Noninterest Expense								
Compensation	1,620	1,685	1,687	1,643	1,559	1,574	1,595	1,597
Employee benefits	352	314	335	302	333	314	324	315
Net occupancy and equipment	276	271	276	269	277	281	279	286
Professional services	99	106	102	123	95	106	114	139
Marketing and business development	74	67	72	105	89	111	109	117
Technology and communications	289	309	334	362	257	270	277	291
Postage, printing and supplies	72	72	70	74	72	73	74	71
Other intangibles	42	43	44	47	40	42	42	44
Other	492	451	451	439	365	382	330	541
Total noninterest expense	3,316	3,318	3,371	3,364	3,087	3,153	3,144	3,401
Income before income taxes	1,439	759	1,933	1,920	2,086	2,277	2,384	1,847
Applicable income taxes	260	64	347	395	378	449	467	354
Net income	1,179	695	1,586	1,525	1,708	1,828	1,917	1,493
Net (income) loss attributable to noncontrolling interests	(8)	(6)	(6)	(6)	(9)	(7)	(9)	(7)
Net income attributable to U.S. Bancorp	$1,171	$ 689	$1,580	$1,519	$1,699	$1,821	$1,908	$1,486
Net income applicable to U.S. Bancorp common shareholders	$1,088	$ 614	$1,494	$1,425	$1,613	$1,741	$1,821	$1,408
Earnings per common share	$ .72	$ .41	$ .99	$ .95	$ 1.01	$ 1.09	$ 1.16	$ .91
Diluted earnings per common share	$ .72	$ .41	$ .99	$ .95	$ 1.00	$ 1.09	$ 1.15	$ .90

U.S. Bancorp
Supplemental Financial Data (Unaudited)

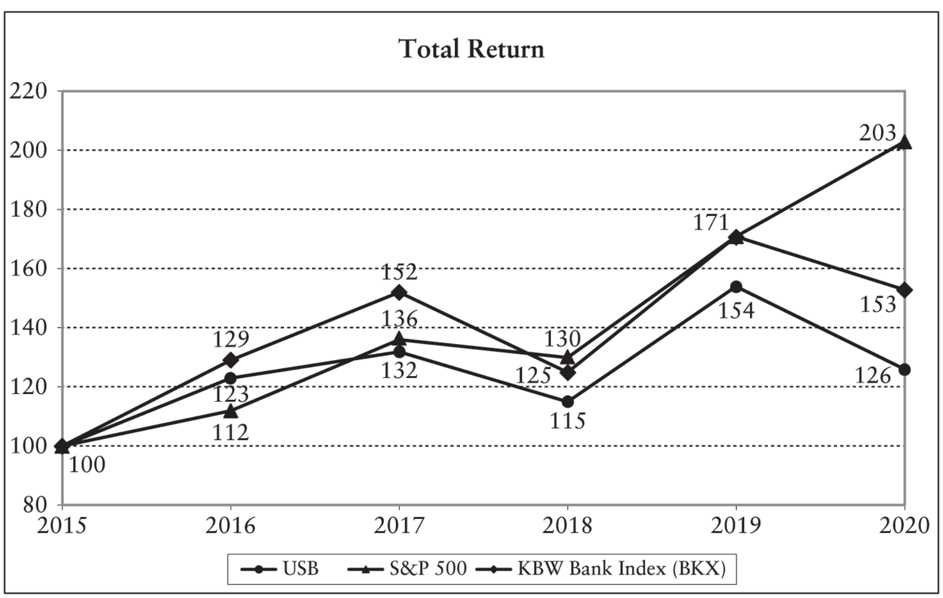
Earnings Per Common Share Summary	2020	2019	2018	2017	2016
Earnings per common share	$ 3.06	$ 4.16	$ 4.15	$ 3.53	$ 3.25
Diluted earnings per common share	3.06	4.16	4.14	3.51	3.24
Dividends declared per common share	1.68	1.58	1.34	1.16	1.07
Ratios					
Return on average assets	.93%	1.45%	1.55%	1.39%	1.36%
Return on average common equity	10.0	14.1	15.4	13.8	13.4
Average total U.S. Bancorp shareholders' equity to average assets	9.8	11.1	10.9	10.8	10.9
Dividends per common share to net income per common share	54.9	38.0	32.3	32.9	32.9
Other Statistics (Dollars and Shares in Millions)					
Common shares outstanding[(a)]	1,507	1,534	1,608	1,656	1,697
Average common shares outstanding and common stock equivalents					
Earnings per common share	1,509	1,581	1,634	1,677	1,718
Diluted earnings per common share	1,510	1,583	1,638	1,683	1,724
Number of shareholders[(b)]	32,520	33,515	35,154	36,841	38,794
Common dividends declared	$ 2,541	$ 2,493	$ 2,190	$ 1,950	$ 1,842

(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, 2021, there were 32,468 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, 2020, 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, 2015, 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)

	2020			2019		
Year Ended December 31 (Dollars in Millions)	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates
Assets						
Investment securities	$125,954	$ 2,488	1.98%	$117,150	$ 2,950	2.52%
Loans held for sale	6,985	216	3.10	3,769	162	4.30
Loans[b]						
Commercial	113,967	3,192	2.80	103,198	4,229	4.10
Commercial real estate	40,548	1,457	3.59	39,386	1,919	4.87
Residential mortgages	73,667	2,666	3.62	67,747	2,644	3.90
Credit card	22,332	2,392	10.71	23,309	2,680	11.50
Other retail	56,755	2,352	4.14	57,046	2,682	4.70
Covered loans	–	–	–	–	–	–
Total loans	307,269	12,059	3.92	290,686	14,154	4.87
Other earning assets	41,194	179	.43	18,932	341	1.80
Total earning assets	481,402	14,942	3.10	430,537	17,607	4.09
Allowance for loan losses	(6,858)			(4,007)		
Unrealized gain (loss) on investment securities	2,901			(117)		
Other assets	53,762			49,240		
Total assets	$531,207			$475,653		
Liabilities and Shareholders' Equity						
Noninterest-bearing deposits	$ 98,539			$ 73,863		
Interest-bearing deposits						
Interest checking	84,276	65	.08	72,553	227	.31
Money market savings	125,786	528	.42	109,849	1,637	1.49
Savings accounts	52,142	46	.09	46,130	111	.24
Time deposits	37,872	311	.82	44,417	880	1.98
Total interest-bearing deposits	300,076	950	.32	272,949	2,855	1.05
Short-term borrowings	19,182	144	.75	18,137	370	2.04
Long-term debt	44,040	924	2.10	41,572	1,227	2.95
Total interest-bearing liabilities	363,298	2,018	.56	332,658	4,452	1.34
Other liabilities	16,494		.	15,880		
Shareholders' equity						
Preferred equity	6,042			5,984		
Common equity	46,204			46,639		
Total U.S. Bancorp shareholders' equity	52,246			52,623		
Noncontrolling interests	630			629		
Total equity	52,876			53,252		
Total liabilities and equity	$531,207			$475,653		
Net interest income		$12,924			$13,155	
Gross interest margin			2.54%			2.75%
Gross interest margin without taxable-equivalent increments			2.52%			2.73%
Percent of Earning Assets						
Interest income			3.10%			4.09%
Interest expense			.42			1.03
Net interest margin			2.68%			3.06%
Net interest margin without taxable-equivalent increments			2.66%			3.04%

* *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 2020, 2019 and 2018 and 35 percent for 2017 and 2016.*

(b) *Interest income and rates on loans include loan fees. Nonaccrual loans are included in average loan balances.*

2018			2017			2016			2020 v 2019
Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	% Change Average Balances
$113,940	$ 2,674	2.35%	$111,820	$ 2,328	2.08%	$107,922	$ 2,181	2.02%	7.5%
3,230	165	5.12	3,574	144	4.04	4,181	154	3.70	85.3
98,854	3,795	3.84	95,904	3,131	3.26	92,043	2,596	2.82	10.4
39,977	1,881	4.71	42,077	1,788	4.25	43,040	1,698	3.94	3.0
61,893	2,366	3.82	58,784	2,180	3.71	55,682	2,070	3.72	8.7
21,672	2,545	11.74	20,906	2,358	11.28	20,490	2,204	10.76	(4.2)
56,136	2,466	4.39	55,416	2,272	4.10	52,330	2,114	4.04	(.5)
2,169	134	6.17	3,450	175	5.07	4,226	200	4.73	*
280,701	13,187	4.70	276,537	11,904	4.30	267,811	10,882	4.06	5.7
17,196	272	1.58	14,490	183	1.26	9,963	125	1.26	*
415,067	16,298	3.93	406,421	14,559	3.58	389,877	13,342	3.42	11.8
(3,939)			(3,862)			(3,837)			(71.2)
(1,650)			(348)			593			*
47,536			46,371			46,680			9.2
$457,014			$448,582			$433,313			11.7
$ 78,196			$ 81,933			$ 81,176			33.4%
70,154	150	.21	67,953	84	.12	61,726	42	.07	16.2
101,732	1,078	1.06	106,476	644	.61	96,518	349	.36	14.5
44,713	56	.13	43,393	32	.07	40,382	34	.09	13.0
38,667	585	1.51	33,759	281	.83	33,008	197	.60	(14.7)
255,266	1,869	.73	251,581	1,041	.41	231,634	622	.27	9.9
21,790	387	1.78	15,022	149	1.00	19,906	97	.49	5.8
37,450	1,007	2.69	35,601	784	2.20	36,220	754	2.08	5.9
314,506	3,263	1.04	302,204	1,974	.65	287,760	1,473	.51	9.2
13,921			15,348			16,389			3.9
5,636			5,490			5,501			1.0
44,127			42,976			41,838			(.9)
49,763			48,466			47,339			(.7)
628			631			649			.2
50,391			49,097			47,988			(.7)
$457,014			$448,582			$433,313			11.7
	$13,035			$12,585			$11,869		
		2.89%			2.93%			2.91%	
		2.86%			2.88%			2.86%	
		3.93%			3.58%			3.42%	
		.79			.48			.38	
		3.14%			3.10%			3.04%	
		3.11%			3.05%			2.99%	

Company Information

General Business Description U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota that is registered as a bank holding company under the Bank Holding Company Act of 1956 (the “BHC Act”), and has elected to be treated as a financial holding company under the BHC Act. 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 $443 billion in deposits at December 31, 2020, 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, such as healthcare, utilities, oil and gas, and state and municipal government. 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 2,434 banking offices as of December 31, 2020, principally operating in the Midwest and West regions of the United States, through on-line services, over mobile devices and through other distribution channels. The Company operates a network of 4,232 ATMs as of December 31, 2020, 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. Wholly-owned subsidiaries of Elavon provide similar merchant services in Canada 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.

During the past year, the COVID-19 pandemic has created economic and operational disruptions that have affected the Company’s business. Due to responses to the pandemic by the Company, its customers, its counterparties and governmental authorities, including “stay-at-home” orders, the Company temporarily, and in some cases permanently, closed certain of its offices and reduced operating hours and/or lobby services at its branches. Although, as of December 31, 2020, the Company has resumed operations at locations that were temporarily closed, customer behavior has evolved greatly as more customers are migrating quickly to on-line and digital-based products and services. To meet these evolving customer preferences, the Company has continued and accelerated the development of digital-based products and services, as well as reduced the number of higher-cost physical branches.

On a full-time equivalent basis, as of December 31, 2020, U.S. Bancorp employed 68,108 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 are material to, and 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

The COVID-19 pandemic has caused and may continue to cause significant harm to the global economy and the Company’s businesses The COVID-19 pandemic has had, and is expected to continue to have, significant effects on global economic conditions, including disruption and volatility of financial markets, increased unemployment and other negative outcomes. It is expected that these negative effects will continue for the duration of the pandemic, and, if the pandemic is prolonged, or other diseases emerge, these negative effects on the global economy could worsen.

The continuation of the economic conditions caused by COVID-19 are expected to have a material adverse effect on the Company and its business, including: (i) reduced demand for the Company’s products and services; (ii) possible increased recognition of credit losses and increases in the allowance for credit losses (particularly if unemployment continues to rise and customers draw on their lines of credit); (iii) possible downgrades to the Company’s credit ratings; (iv) increased constraints on liquidity and capital; (v) the possibility of reduced revenues from the Company’s credit and debit card, corporate payments products and merchant processing services product offerings, including because of business closures, unemployment or requirements for consumers to stay at home; and (vi) the possibility that the Company's employees are unable to work effectively, including because of illness, quarantines, work-from-home arrangements or other restrictions relating to the pandemic.

Although the United States government has taken steps to attempt to mitigate some of the effects of the pandemic, including the passage of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, implementation of other programs such as the Paycheck Protection Program ("PPP"), and the provision of additional PPP funding and other COVID-related relief as part of the 2021 Consolidated Appropriations Act, which was signed into law in December 2020, there can be no assurance that these measures, and similar other measures taken by certain foreign governments to mitigate some of the effects of the pandemic, will achieve all of their desired results. In addition, these measures were of limited duration and/or received limited funding, and certain programs such as temporary lending facilities administered by the Federal Reserve and United States Department of Treasury have ended. The Company cannot predict whether additional governmental relief will be provided in the future, what form such additional relief, if any, will take, or to what extent existing relief efforts have mitigated, or will mitigate, the more severe effects of the pandemic (and consequently the severity of any effects from the cessation of those programs).

Other negative effects of COVID-19 and the resulting economic and market disruptions will depend on developments that are highly uncertain and cannot be predicted at this time. However, it is likely that the Company's business, financial condition, liquidity, capital and results of operations will continue to be adversely affected until the pandemic subsides and the domestic economy recovers. Further, the COVID-19 pandemic may also have the effect of heightening many of the other risks described in this section. Even after the pandemic subsides, it is possible that the domestic and other major global economies will continue to experience a prolonged recession, which the Company expects would adversely affect its business, financial condition, liquidity, capital and results of operations, potentially materially.

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 these conditions caused by the COVID-19 pandemic adversely affected the Company's consumer and commercial businesses and securities portfolios, its level of charge-offs and provision for credit losses, and its results of operations during 2020, and other future changes in these conditions, whether related to the COVID-19 pandemic or otherwise, could have additional adverse effects on the Company and its businesses.

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 caused by COVID-19 negatively affected the Company's business and results of operations, including new loan origination activity, existing loan utilization rates and delinquencies, defaults and the ability of customers to meet obligations under the loans. Although the effects of COVID-19 were mitigated in part by governmental programs and the Company's measures to assist its borrowers, there can be no assurances that such measures will continue to be effective. In addition, future deterioration in economic conditions, whether caused by COVID-19 or other events, could have adverse effects on loan origination activity, loan utilization rates and delinquencies, defaults and the ability of customers to meet loan obligations. 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 have been, and 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 material 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. Global political trends toward nationalism and isolationism, could increase the probability of a deterioration in global economic conditions.

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. 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. During the first quarter of 2020, United States interest rates fell dramatically which adversely impacted, and may continue to adversely impact, the Company's net interest income. In addition, 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. However, in November 2020, the administrator of LIBOR proposed to extend publication of the most commonly used United States Dollar LIBOR settings to June 30, 2023 and will cease publishing two other less frequently used LIBOR settings on December 31, 2021. The United States federal banking agencies have issued guidance strongly encouraging banking organizations to cease using the United States Dollar LIBOR as a reference rate in "new" contracts as soon as practicable and in any event by December 31, 2021. 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 its customers, counterparties and 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 banking 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 increases the risk of operational failure, both for the Company and on an industry-wide basis, and 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 materially affect counterparties or other market participants, including the Company.

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, which introduces the risk that these "fourth parties" could be the source of operational and security failures. In addition, if a third party or fourth party obtains access to the customer account data on the Company's systems, and that party experiences a breach or misappropriates such data, the Company and its customers could suffer material harm, including heightened risk of fraudulent transactions, losses from fraudulent transactions, increased operational costs to remediate any security breach and reputational harm. These risks are expected to continue to increase as the Company expands its interconnectivity with its customers and other third parties.

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 and who may experience fraud on their card accounts as a result of a breach. The Company might suffer losses associated with reimbursing its customers for such fraudulent transactions, 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" and other "social engineering" schemes. Other types of attacks may include computer viruses, malicious or destructive code, denial-of-service attacks, ransomware or ransom demands. During the COVID-19 pandemic, the Company has experienced increased information security risks, primarily as a result of the increase in work-from-home arrangements. 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, which is expected to remain elevated at least as long as the COVID-19 pandemic continues. 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, and are subject to "phishing" and other attempts from cyber criminals to compromise or deny access to 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 have been, and likely will continue to be, subject to such threats.

In the event that the Company's physical or cyber 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 Company and/or customer information, or damage to the Company's or customers' or counterparties' computers or systems. 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 (including the costs of credit monitoring services); additional compliance costs; and harm to the Company's reputation, all of which could adversely affect the Company.

Because the investigation of any information security breach is inherently unpredictable and would require substantial time to complete, the Company may not be able to quickly remediate the consequences of any breach, which may increase the costs, and enhance the negative consequences associated with a breach. In addition, to the extent the Company's insurance covers aspects of any breach, such insurance may not be sufficient to cover all of the Company's losses.

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 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 financial institutions such as the Company have generally increased in recent years, in part because of the proliferation of new technologies, implementation of work-from-home arrangements such as during the COVID-19 pandemic, 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 material 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 the United States, governing the privacy and protection of personal information. Protected individuals can include the Company's customers (and in some cases its customers' customers), its employees, and the employees of the Company's suppliers, counterparties and other third parties. Complying with laws and regulations applicable to the Company's collection, use, transfer and storage of personal information can increase operating costs, impact the development of new products or services, and reduce operational efficiency. Any mishandling or misuse of personal information by the Company or a third party affiliated with the Company could expose the Company to litigation or regulatory fines, penalties or other sanctions.

In the United States, several states have recently enacted consumer privacy laws that impose compliance obligations with respect to personal information. In particular, the California Consumer Privacy Act (the "CCPA") imposes significant requirements on covered companies with respect to consumer data privacy rights. In November 2020, voters in the State of California approved the California Privacy Rights Act ("CPRA"), a ballot measure that amends and supplements the CCPA by creating the California Privacy Protection Agency, a watchdog privacy agency to be appointed shortly after the CPRA's enactment. The CPRA also modifies the CCPA by expanding both the scope of businesses covered by the law and certain rights relating to personal information and its use, collection, and disclosure by covered businesses. Compliance with the CCPA, the CPRA after it becomes effective, and other state statutes, common law, or regulations designed to protect consumer, employee, or applicant personal data could potentially require substantive technology infrastructure and process changes across many of the Company's businesses. Non-compliance with the CCPA, CPRA, or similar laws and regulations could lead to substantial regulatory fines and penalties, damages from private causes of action, and/or reputational harm. The Company cannot predict whether any pending or future state or federal legislation will be adopted, or the substance and impact of any legislation on the Company. Future legislation could result in substantial costs to the Company and could have an adverse effect on its business, financial condition and results of operations.

The July 2020 decision by the Court of Justice of the European Union relating to transfers of personal data outside of the European Union ("Schrems II") may impact the Company's operations and ability to transfer personal data out of the European Union or may require additional compliance programs. While the decision invalidated the EU US Privacy Shield Framework for transferring personal data, this does not impact the Company as no financial institution was eligible to participate in the program. However, it did question the use of Standard Contractual Clauses as a valid process for processing personal data and prescribed significant due diligence obligations to be undertaken to ensure the recipient of the personal data can comply with the clauses and sufficiently protect the data. Schrems II and subsequent guidance from the European Commission and European Union Data Protection Board could result in substantial costs of compliance and failure to adhere to the guidance may subject the Company to fines or regulatory oversight.

Additional risks could arise from the failure of the Company or third parties to provide adequate disclosure or transparency to the Company's customers about the personal information collected from them and its use; to receive, document, and honor the privacy preferences expressed by the Company's customers; to protect personal information from unauthorized disclosure; or 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, and/or in material 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 growth of many of these technologies was accelerated as a result of the COVID-19 pandemic and the shift to increased digital activity. 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, including because larger competitors may have more resources to spend on developing new technologies or because non-bank competitors have a lower cost structure and more flexibility, 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 pandemics, terrorist activities, civil unrest or international hostilities Neither the occurrence nor the potential impact of pandemics, terrorist activities, civil unrest 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 pandemics, terrorist activities, civil unrest or international hostilities affect the financial markets or the economy in general or in any particular region.

During the COVID-19 pandemic, the Company has experienced significant disruptions to its normal operations, including the temporary closing of branches and a sudden increase in the volume of work-from-home arrangements. In addition, the Company has been indirectly negatively affected by the pandemic's effects on the Company's borrowers and other customers, and by its effects on global financial markets. Many of these effects are expected to continue for the duration of the pandemic, and could worsen if the pandemic continues to spread or if any vaccines are not effective (including because of lack of acceptance) or not efficiently distributed, or if governmental and other responses to the pandemic are ineffective. The COVID-19 pandemic has caused, and other future pandemics, or terrorist activities, civil unrest or international hostilities, may cause, 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 United States, and in particular, the Minneapolis/St. Paul metropolitan area following tragic events that occurred in May 2020, has also faced a period of significant civil unrest. Although civil unrest has not materially affected the Company's businesses to date, continued unrest or similar events could, directly or indirectly, have a material adverse effect on the Company's operations (for example, by causing shutdowns of branches or working locations of vendors and other counterparties or damaging property pledged as collateral for the Company's loans).

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 effects of pandemics, terrorist activities, civil unrest 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.

The Company's operations and financial performance could be adversely affected by natural disasters, and climate change can exacerbate those risks while adding other compliance, market, strategic and reputation risks Natural disasters could have a material adverse effect on the Company's financial position and results of operations, and the timing and effects of any natural disaster cannot accurately be predicted. Natural disasters, such as an earthquake, could affect the Company directly (for example, by interrupting Company systems, damaging Company facilities or otherwise preventing the Company from conducting its business in the ordinary course) or indirectly (for example, by damaging or destroying customer businesses or otherwise impairing customers' ability to repay their loans, or by damaging or destroying property pledged as collateral for Company loans).

Both the frequency and severity of some kinds of natural disasters, including wildfires, tornadoes and hurricanes, have increased as a result of climate change, which further reduces the Company's ability to predict their effects accurately. Climate change poses other risks to the Company's business and financial performance as well. It may result in new and/or more stringent regulatory requirements for the Company, which could materially affect the Company's results of operations by requiring the Company to take costly measures to comply with any new laws or regulations related to climate change that may be forthcoming. Changes to regulations or market shifts to low-carbon products could also impact the credit worthiness of some of the Company's customers, which may require the Company to adjust its lending portfolios and business strategies.

In addition, the Company's customers, shareholders and communities have increasing expectations for the Company to manage its environmental impact, and frequently also evaluate the Company based on the environmental impact of its customers. Failure by the Company to appropriately manage its environmental impact could have a material adverse effect on its reputation and harm its ability to keep and attract customers and employees.

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.

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 particular, given the recent election results, the Company and other large financial institutions may become subject to increased scrutiny and more extensive legal and regulatory requirements than under the prior presidential and congressional regime. In addition, changes in key personnel at the agencies that regulate the Company, including the federal banking regulators, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously. New regulations or modifications to existing regulations and supervisory expectations have increased, and may in the future increase, the Company's costs over time and necessitate changes to the Company's existing regulatory compliance and risk management infrastructure. 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.

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. 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 Company's ability or willingness to make certain acquisitions or introduce new products or services.

Federal law grants substantial supervisory and enforcement powers to federal banking regulators and law enforcement agencies, including, 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. 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, and consumer protection issues more generally. 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, which could cause the Company material financial and reputational harm. 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. In addition, another financial institution's violation of law or regulation relating to a business activity or practice often will give rise to an investigation of the same or similar activities or practices of 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 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, increased exposure to civil litigation, 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 or consumer compliance 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.

Differences in regulation can affect the Company's ability to compete effectively The content and application of laws and regulations applicable to financial institutions vary according to the size of the institution, the jurisdictions in which the institution is organized and operates and other factors. Large institutions, such as the Company, often are subject to more stringent regulatory requirements and supervision than smaller institutions. In addition, financial technology companies and other non-bank competitors may not be subject to banking regulation, or may be regulated by a national or state agency that does not have the same regulatory priorities or supervisory requirements as the Company's regulators. These differences in regulation can impair the Company's ability to compete effectively with competitors that are less regulated and that do not have similar compliance costs.

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.

During 2020 the Federal Reserve implemented measures requiring all large bank holding companies to preserve capital through the suspension of share repurchase programs and capping common stock dividends to existing rates that do not exceed the average of the last four quarters' earnings. These capital preservation actions applied to the third and fourth quarters of 2020. In December 2020, the Federal Reserve announced that these bank holding companies could continue existing dividend payments and resume stock repurchases in the first quarter of 2021, as long as the combined amounts of repurchases and dividends in that quarter do not exceed the bank holding company's average earnings per quarter over the last four quarters. However, the COVID-19 pandemic and/or additional actions by the Federal Reserve may cause the Company to suspend its share repurchase program and limit capital distributions in future periods, including reducing or suspending its common stock dividend.

Additional requirements may be imposed in the future. In December 2017, the Basel Committee finalized a package of revisions to the Basel III framework (commonly referred to as "Basel IV"). 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. The ultimate impact of revisions to the Basel III–based framework in the United States on the Company's capital and liquidity will depend on the final rule-makings and the implementation process thereafter.

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.

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. The Company is named as a defendant or is otherwise involved in many legal proceedings, including class actions and other litigation. 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. Substantial legal liability or significant governmental action against the Company could materially impact the Company's financial condition and results of operations (including because such matters may be resolved for amounts that exceed established accruals for a particular period) or cause significant reputational harm to the Company.

Many financial institutions, including the Company, have received inquiries from the United States Congress, regulators and other government agencies and are subject to litigation regarding participation directly or on behalf of customers and clients in United States government programs designed to support individuals, households and businesses impacted by the economic disruptions caused by the COVID-19 pandemic. The Company's participation in these and other programs used in response to the COVID-19 pandemic may lead to additional government and regulatory inquiries and litigation in the future, any of which could negatively impact the Company's business, reputation, financial condition and results of operations.

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 further deteriorate, the Company's customers may have more difficulty in repaying their loans or other obligations, which could result in a higher level of credit losses and higher provisions for credit losses. Certain industries where the Company has credit exposure, including retail, energy, media and entertainment, lodging, and airlines, have experienced significant operational challenges as a result of COVID-19. Unexpected stress on the United States economy or the local economies in which the Company does business, including the economic stress caused by the COVID-19 pandemic, has resulted, and in the future may result, in, among other things, unexpected deterioration in credit quality of the loan portfolio, or in the value of collateral securing those loans, which, during the COVID-19 pandemic caused, and in the future could cause, the Company to establish higher provisions for credit losses.

In response to the COVID-19 pandemic and to support its customers, the Company has offered payment deferrals and other expanded assistance to customers, and, during 2020, committed to suspend mortgage payments and foreclosure sales for financially impacted customers for certain periods of time. A number of the Company's customers sought to suspend their mortgage payments under these programs. Suspensions of mortgage payments and foreclosures and reduced pricing under these programs may adversely affect the Company's revenue and results of operations. In addition, if these programs are not effective in mitigating the financial consequences of COVID-19 on customers, or if customers are unable to pay their loans after these programs expire, the Company may experience higher rates of default, increased credit losses and additional increases to the allowance for credit losses in future periods.

The Company reserves for credit losses by establishing an allowance through a charge to earnings to provide for loan defaults and nonperformance. The Company's allowance for loan losses is compliant with the Current Expected Credit Loss (CECL) methodology, which is based on the portfolio's historical loss experience, an evaluation of the risks associated with its loan portfolio, including the size and composition of the loan portfolio, current and foreseeable economic conditions and borrower and collateral quality. These conditions inform the Company's expected lifetime loss estimates of the portfolio, which is the foundation for the allowance for credit losses. These forecasts and estimates require difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of the Company's borrowers to repay their loans. The Company may not be able to accurately predict these economic conditions and/or some or all of their effects, which may, in turn, negatively impact the reliability of the process. 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.

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, with a fair value of $2.2 billion as of December 31, 2020. 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.

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. Refer to "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding limitations on the amount of dividends U.S. Bank National Association may pay.

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, which, in some cases, have been granted. In addition, other fintechs have partnered with existing banks to allow them to offer deposit products or payment services 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 (which may be altered significantly and with little warning, such as during the COVID-19 pandemic), achieving market acceptance of its products and services, or sufficiently developing and maintaining loyal customer relationships.

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.

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.

General Risk Factors

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.

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. 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.

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, which are subject credit agencies’ ongoing review of a number of factors, including factors not within the Company’s control, are important to the Company’s 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. There can be no assurance that the Company will maintain its current ratings and outlooks.

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.

Managing Committee

Andrew Cecere

Mr. Cecere is Chairman, President and Chief Executive Officer of U.S. Bancorp. Mr. Cecere, 60, 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.

Elcio R.T. Barcelos

Mr. Barcelos is Senior Executive Vice President and Chief Human Resources Officer of U.S. Bancorp. Mr. Barcelos, 50, has served in this position since joining U.S. Bancorp in September 2020. From April 2018 until August 2020, he served as Senior Vice President and Chief People and Places Officer of the Federal National Mortgage Association (Fannie Mae), having served as Senior Vice President, Human Resources of the DXC Technology Company from April 2017 to March 2018. Previously, Mr. Barcelos served as Senior Vice President and Head of Human Resources for the Enterprise Services business of Hewlett Packard Enterprise Company from June 2015 to April 2017, and in other human resources senior leadership positions at Hewlett-Packard Company and Hewlett Packard Enterprise Company from July 2009 to June 2015. He previously served in various leadership roles at Wells Fargo and Bank of America.

James L. Chosy

Mr. Chosy is Senior Executive Vice President and General Counsel of U.S. Bancorp. Mr. Chosy, 57, 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.

Gregory G. Cunningham

Mr. Cunningham is Senior Executive Vice President and Chief Diversity Officer of U.S. Bancorp. Mr. Cunningham, 57, has served in this position since July 2020. From July 2019 until July 2020, he served as Senior Vice President and Chief Diversity Officer of U.S. Bancorp, having served as Vice President of Customer Engagement of U.S. Bancorp from October 2015, when he joined U.S. Bancorp, until July 2019. Previously, Mr. Cunningham served in various roles in the marketing department of Target Corporation from January 1998 until March 2015.

Terrance R. Dolan

Mr. Dolan is Vice Chair and Chief Financial Officer of U.S. Bancorp. Mr. Dolan, 59, has served in this position since August 2016. From July 2010 to July 2016, he served as Vice Chair, 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.

Gunjan Kedia

Ms. Kedia is Vice Chair, Wealth Management and Investment Services, of U.S. Bancorp. Ms. Kedia, 50, 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, 55, 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, 56, 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, 56, 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, 52, 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, 44, 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.

Dominic V. Venturo

Mr. Venturo is Senior Executive Vice President and Chief Digital Officer of U.S. Bancorp. Mr. Venturo, 54, has served in this position since July 2020. From January 2015 until July 2020, he served as Executive Vice President and Chief Innovation Officer of U.S. Bancorp, having served as Senior Vice President and Chief Innovation Officer of U.S. Bancorp Payment Services from January 2010 until January 2015. From January 2007 to December 2009, Mr. Venturo served as Senior Vice President and Chief Innovation Officer of U.S. Bancorp Retail Payment Solutions. Prior to that time, he served as Senior Vice President and held product management positions in various U.S. Bancorp Payment Services business lines from December 1998 to December 2006.

Jeffry H. von Gillern

Mr. von Gillern is Vice Chair, Technology and Operations Services, of U.S. Bancorp. Mr. von Gillern, 55, 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, 55, has served in this position since March 2019. Prior to that, he served as Vice Chair, Consumer Banking Sales and Support 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 from 1999 to 2006.

Directors

Andrew Cecere[1,3,7]
Chairman, President and Chief Executive Officer
U.S. Bancorp

Warner L. Baxter[2,4]
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[1,5,6]
Chairman, President and Chief Executive Officer
Thermo Fisher Scientific Inc.
(Life sciences and healthcare technology)

Kimberly N. Ellison-Taylor[2,6]
Executive Director of Finance Thought Leadership
Oracle Corporation
(Technology)

Kimberly J. Harris[1,3,5]
Retired President and Chief Executive Officer
Puget Energy, Inc.
(Energy)

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*

Roland A. Hernandez[1,2,3]
Founding Principal and Chief Executive Officer
Hernandez Media Ventures
(Media)

Olivia F. Kirtley[1,4,5]
Business Consultant
(Consulting)

Karen S. Lynch[1,2,4]
President and Chief Executive Officer
CVS Health Corporation
(Health care)

Richard P. McKenney[1,5,7]
President and Chief Executive Officer
Unum Group
(Financial protection benefits)

Yusuf I. Mehdi[6,7]
Corporate Vice President
Microsoft Corporation
(Technology)

John P. Wiehoff[6,7]
Retired Chairman and Chief Executive Officer
C.H. Robinson Worldwide, Inc.
(Transportation and logistics services)

Scott W. Wine[1,2,4]
Chief Executive Officer
CNH Industrial N.V.
(Agricultural machinery)

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 866.775.9668

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.

usbancorp

800 Nicollet Mall
Minneapolis, MN 55402
800.USBANKS (872.2657)
usbank.com

U.S. Bancorp Enterprise Resiliency Program General Release Statement

The Enterprise Resiliency Program ("Program") establishes and supports the U.S. Bancorp's ("Company") Business Continuity and Contingency Planning and Response Program. The Program is designed to protect customers, assets, and employees by: evaluating the risks of significant adverse events; planning and validating response strategies; actively monitoring of and reporting on the threat landscape and effectiveness of the control environment; and leading emergency response teams.

This Program ensures Company and its affiliates meet the fiduciary responsibility to stakeholders and comply with regulatory requirements of the Federal Financial Institutions Examination Council (FFIEC), the Securities and Exchange Commission (SEC), the Office of the Comptroller of the Currency (OCC), the Federal Reserve Bank (FRB), the Financial Industry Regulatory Authority (FINRA), the Office of the Superintendent of Financial Institutions (OSFI), the Central Bank of Ireland (CBI) and the European Banking Authority (EBA). Additionally, Company has met all recovery criteria as prescribed by the Interagency White Paper on Sound Practices to Strengthen the Resilience of the U.S. Financial System.

The U.S. Bancorp Board of Directors annually approves the U.S. Bancorp Enterprise Resiliency Policy. Program status and any significant issues are reported annually to the U.S. Bancorp Board of Directors and quarterly to the Management Committee and Senior Executives.

Foundation of Risk Management

The Enterprise Resiliency Program is supported by the Enterprise Resiliency Group (ERG), a department of the Company's Risk Management and Compliance division. The group consists of over 40 risk management and business continuity professionals.

Risk Assessments

Risk assessments are foundational to the enterprise resiliency program. The results of risk assessments drive the planning, exercising, and emergency response components of the program. The following risk assessments are performed:

- Business Impact Analysis ("BIA") measures the effects of resource loss and escalating losses over time to provide the basis for risk mitigation and business continuity planning
- Third Party Resiliency Assessment ("TPA") evaluates the risks associated with processes performed by and/or technology provided by mission critical third parties to drive appropriate third-party outage mitigation and recovery planning

- Threat Vulnerability Assessment ("TVA") assess the risk of major natural hazard events along with the impacts of those events on U.S. Bank corporate locations and the mission critical processes/technologies executed at those locations.

Results of these risk analysis activities drive strategic recovery planning for continuity of operations for these processes. TPA occurs annually on the anniversary of the previous assessment or upon a significant change in the relationship. The BIA is completed annually, or upon significant change, for all critical business processes. TVA Assessments are completed bi-annually or upon significant change.

Risk Mitigation Planning

The Enterprise Resiliency Group has established and maintains guidelines which incorporate industry best practices for the operational resiliency of critical business processes and technology. To achieve operational resiliency, business process and technology owners, in partnership with and under the guidance of the Enterprise Resiliency Group, build and maintain response plans to address threats and risks identified by the assessment activities described above. The response plans are integrated into the overall Company Risk Management framework.

Business Continuity Response Plans

Company's Business Continuity Plans are developed and maintained to address operational resiliency and recovery strategies for such events as: pandemic/high employee absenteeism, natural and man-made hazard impacts, technology outages, and other business disruptions.

In the event a business office or operational facility becomes or is likely to become non-operational an appropriate business continuity plan will be activated. The response strategy will vary based upon the nature of the disruption and work impacted. Response strategies include:

- Transfer Work: Work is transferred to another location out of the impacted area that does the same business function or has been cross trained.
- Relocate People within Business: Team members from the impacted location are relocated to another site.
- Relocate to Regional Recovery Center: A location, other than the normal facility, will be used to process data and/or conduct critical or necessary business functions.
- Work from Home: Team members will work from home on a bank-owned device.

Company's business continuity response plans are reviewed and approved annually.

Disaster Recovery Response Plans

Company's technology infrastructure is designed and implemented to ensure high-availability and high-recoverability. Industry leading best practices and best-in-class technology components are utilized to operate a highly redundant, geographically dispersed network of data centers. All data is backed up to an out of region data center and all critical data is securely mirrored to an out of region data center.

Company's Disaster Recovery Plans are developed and maintained to address technology, infrastructure, application and data recovery and validation strategies in response to unplanned technology interruptions up to and including the loss of a data center.

Disaster recovery response plans are reviewed and approved annually.

Third Party Provider Outage Response Plans

Company's Vendor Service Plans are developed and maintained to address the risks from the loss of service from a critical third-party provider. Vendor service plans include pre- planned response activities including but not limited to: communication strategies, alternative work plans, and service resumption validation processes. Vendor service plans are required to be reviewed and updated annually.

High Absenteeism/Pandemic Response Plans

The U.S. Bancorp Pandemic Preparation and Response Plan is developed and maintained in partnership with senior leaders and other critical support departments to prepare for the possibility of pandemic flu in the same way that we prepare for other events that could affect our employees, customers, and our communities. The plan was prepared in communication with public officials, pandemic planning experts, various state and local organizations, and other financial institutions and businesses. The plan augments procedures already in place as part of existing Company's Enterprise Resiliency Program and outlines strategies to mitigate the impact of a pandemic upon the company, its employees, and customers.

Plan Validation

In alignment with regulatory requirements, bank policy, and industry best practices, resiliency plans are regularly exercised to demonstrate plan effectives and process/technology recoverability. Exercise scenarios include business continuity plan activation or activation simulation; local, regional, national, and international crisis management and response team simulations; U.S. Bancorp and third-party joint exercises; and key/critical infrastructure/application disaster recovery.

Enterprise Resiliency Policy requires business continuity and vendor service plans to be exercised on an annual basis. Disaster recovery plans for mission critical and key applications are exercised on a quarterly basis. Results from each exercise are documented and reviewed by the Enterprise Resiliency Group. Any issues or plan discrepancies are documented along with remediation plans.

Crisis Management and Adverse Event Response

The Enterprise Resiliency Group's Crisis Management Department manages and coordinates the enterprise response to adverse events that threaten to harm the organization, its stakeholders, employees, assets, or reputation. The enterprise response focuses on the safety of all employees, customers and assets of the Company; minimizing disruption of service and/or inconvenience to customers; returning to a business as usual state as quickly as possible; and limiting any potential liability of the organization.

Employee Training and Awareness

Employee Training and Awareness is a critical component of the success of Company's Enterprise Resiliency Program. The training and awareness program consist of both formal and informal activities, including but not limited to: required biennial training courses; response team planning; participation in functional exercises of recovery plans; and localized evacuation procedure drills.

Audits / Exams / ISO Certification

Annual internal audits and periodic OCC/Federal Reserve exams are conducted on the Company's Enterprise Resiliency Program. The Enterprise Resiliency Program maintains an ISO 22301-Business Continuity Management certification.

Notifications

In the event of a major disaster at Company that impacts your product or service, a member of the Product/Service Customer Support Team will communicate with the Customer in a timely manner. Since it is impossible to anticipate every type of potential disaster, there can be no assurance that there will be no interruption of the Company's business functions in all circumstances. The mission of the Company's Enterprise Resiliency Program is to minimize the impact of any disruption.

Disclaimer

This document is subject to modification by U.S. Bancorp at any time.

CERTIFICATE OF REGISTRATION

Business Continuity Management System

ISO 22301: 2012

This is to certify that the Business Continuity Management System of:

U.S. Bank National Association
One Meridian Crossing
Richfield, Minnesota 55423

Conforms with the requirements of ISO 22301: 2012 for the scope listed below:

Administration and operation of the U.S. Bancorp Enterprise Preparedness Program, which provides direction and oversight to all U.S. Bancorp business lines, units and subsidiary companies, to ensure alignment and compliance of business resumption programs with defined policies and procedures and governing requirements.

Certificate Number: BCMS02

Issue Date: 06/06/2019

Expiry Date: 06/06/2022

Issued by:

Gene Geiger

President, A-LIGN

This certificate was issued electronically and is bound by the terms and conditions set forth in the agreement. Further clarification regarding the scope of this certificate and applicability to the ISO 22301: 2012 standard may be obtained at www.a-lign.com.

A-LIGN Headquarters: 400 N. Ashley Dr. Suite 1325 Tampa, Florida 33602 Tel: 888-702-5446

Current Day Summary and Detail

Sample Company A
SinglePoint
Reported Activity as of 11/07/20XX
Printed on 11/07/20XX at 12:27 PM CST

Bank Name	USBMN - US BANK OF MINNESOTA
Account Number	123456789012
Account Name	Sample Account A
Opening Ledger Balance	$7,551,044.80
Interim Ledger	$11,450,964.83
Opening Collected Balance	$1,237,959.88
Interim 1 Day Float	$2,316.89
Interim 2 Day Float	$0.00
Interim 3 + Day Float	$0.00
Collected Balance + 1 Day Float	$1,240,276.77
Number of Credits	15
Total Amount of Credits	$4,057,796.59
Number of Debits	10
Total Amount of Debits	$158,146.56

CREDITS

Customer Deposit

Dollar Amount	Transaction Details
$3,901,247.75	Bank Reference: 1627983 00000000000
$46,000.00	Bank Reference: 1611246 00000000000
$8,400.00	Bank Reference: 7890123 00000000000
$12,600.00	Bank Reference: 3456789 00000000000
$8,400.00	Bank Reference: 8901234 00000000000
$12,600.00	Bank Reference: 4567890 00000000000
$8,400.00	Bank Reference: 67890123 00000000000
$0.00	DEPOSIT/FLOAT ADJUSTMENT Bank Reference: 1122334 00000000000 One Day Float: $2,316.89 Two Day Float: 0 Three Day+ Float: 0

Subtotal: 8 Customer Deposit(s)
$3,997,647.75

Internal Wire Transfer Credit

Dollar Amount	Transaction Details	
$0.33	Amount:	$0.33
	PAR Number:	0X1107000111
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX
$1.00	Amount:	$1.00
	PAR Number:	0X1107000112
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX
$3.00	Amount:	$3.00
	PAR Number:	0X1107000113
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX
$9.51	Amount:	$9.51
	PAR Number:	0X1107000114
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX
$33.00	Amount:	$33.00
	PAR Number:	0X1107000115
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX
$102.00	Amount:	$102.00
	PAR Number:	0X1107000116
	Date/Time:	Date: 11/07/20XX Time: 12:33:03 PM CST
	Debit Account:	XXXXXXX12345 - SINGLEPOINT ACCOUNT B
	Originator:	Sample Company ABC City State
	Details:	For further credit Sample Recipient XXXXXXX

Subtotal: 6 Incoming Internal Wire Transfer(s)
$148.84

Incoming Fedwire

Dollar Amount	Transaction Details
$60,000.00	Bank Reference: 987654321011 Transaction Reference: 48982571 Amount: $60,000.00 Beneficiary Bank: XYZ Bank Beneficiary Ref: RFB FIELD* Credit Account: XXXXXXXX9012 Details: For further credit Sample Recipient XXXXXXX Fed Ref: 000111 Initiated By: SampleUser2 on Fri November 07 16:54:16 CST 20XX OMAD: Originator: Sample Company ABC City State PAR Number: 0X1107000117 Receiving Bank: 091000000 BANK STATE Repeat Code: 1234 Send Date: Friday, November 07, 20XX Source: SPT Control Number: 123456

Subtotal: 1 Incoming Fedwire
$60,000.00

Total Credits: 15
$4,057,796.59

DEBITS

ACH Debit

Dollar Amount	Transaction Details
$58,000.00	USATAXPMT1234567890 01234567890

Subtotal: 1 ACH Debit
$58,000.00

Internal Wire Transfer Debit

Dollar Amount	Transaction Details	
$0.22	Amount:	$0.22
	PAR Number:	0X1107000321
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 38
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX
$1.00	Amount:	$1.00
	PAR Number:	0X1107000322
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 39
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX
$2.00	Amount:	$2.00
	PAR Number:	0X1107000323
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 40
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX
$9.34	Amount:	$9.34
	PAR Number:	0X1107000324
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 41
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX
$22.00	Amount:	$22.00
	PAR Number:	0X1107000325
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 42
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX

$101.00	Amount:	$101.00
	PAR Number:	0X1107000326
	Send Date:	Friday, November 7, 20XX
	Repeat Code:	Wire 43
	Credit Account:	XXXXXXX1234 - SAMPLE CO 1234
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated by:	User1 on Fri Nov 7 08:42:26 CST 20XX
	Approved by:	User2 on Fri Nov 7 08:44:26 CST 20XX

Subtotal: 6 Incoming Internal Wire Transfer(s)
$135.56

Customer Initiated Outgoing Fedwire

Dollar Amount	Transaction Details	
$60,000.00	Approved By:	SampleUser1 on Fri November 07 16:54:16 CST 20XX
	Beneficiary Bank:	1234567891 Main Bank
	Beneficiary Ref:	RFB FIELD*
	Credit Account:	XXXX00001234 FRB CITY
	Details:	For further credit Sample Recipient XXXXXXX
	Fed Ref:	000123
	Initiated By:	SampleUser2 on Fri November 07 16:54:16 CST 20XX
	OMAD:	34567
	Originator:	XXXX00001234 SAMPLE CO1234
	PAR Number:	0X1107000327
	Receiving Bank:	091000000 BANK STATE
	Repeat Code:	1234
	Send Date:	Friday, November 07, 20XX
	Source:	SPT Control Number: 123456
$40,000.00	Approved By:	SampleUser1 on Fri November 07 16:54:16 CST 20XX
	Beneficiary Bank:	1234567891 Main Bank
	Beneficiary Ref:	RFB FIELD*
	Credit Account:	XXXX00001234 FRB CITY
	Details:	For further credit Sample Recipient XXXXXXX
	Fed Ref:	001234
	Initiated By:	SampleUser2 on Fri November 07 16:54:16 CST 20XX
	OMAD:	34567
	Originator:	XXXX00001234 SAMPLE CO1234
	PAR Number:	0X1107000328
	Receiving Bank:	091000000 BANK STATE
	Repeat Code:	1234
	Send Date:	Friday, November 07, 20XX
	Source:	SPT Control Number: 123456

Subtotal: 2 Customer Initiated Outgoing Fed Wire(s)
$100,000.00

Outgoing USD International

Dollar Amount	Transaction Details	
$11.00	Approved By:	SampleUser1 on Fri November 07 16:54:16 CST 20XX
	Beneficiary Bank:	FOREIGNBANK1234
	Bank to Bank Info:	
	Beneficiary Ref:	
	Beneficiary:	XX-123456 MODIFY INTL USD TEMPLAT
	Details:	For further credit Sample Recipient XXXXXXX
	Initiated By:	SampleUser2 on Fri November 07 16:54:16 CST 20XX
	Intermediary Bank:	
	Originator:	XXXX00001234 SAMPLE CO1234
	PAR Number:	0X1107000329
	Receiving Bank:	091000000 MAIN BANK
	Send Date:	Friday, November 07, 20XX
	Source:	SPT Control Number: 123456
	Swift Ref:	IMT234567890
	Value Date:	Friday, November 07, 20XX

Subtotal: 1 Outgoing USD International
$11.00

Total Debits: 10
$158,146.56

GRAND TOTALS

Opening Ledger Balance	$7,551,044.80
Interim Ledger	$11,450,964.83
Opening Collected Balance	$1,237,959.88
Interim 1 Day Float	$2,316.89
Interim 2 Day Float	$0.00
Interim 3 + Day Float	$0.00
Collected Balance + 1 Day Float	$1,240,276.77
Number of Credits	15
Total Amount of Credits	$4,057,796.59
Number of Debits	10
Total Amount of Debits	$158,146.56

---End of Report---

Since this report includes items received but not yet posted, actual posting may differ due to corrections or additional activity.

Previous Day Merchant Detail Reporting – Quick Start Guide

This guide provides instructions to using Previous Day Merchant Detail Reporting.

Previous Day Merchant Detail Reporting integrates transaction detail data derived from Elavon merchant processing to existing Previous Day Information Reporting pages. The main features include:

- **Easy access to merchant transaction details**: You can drill down from Previous Day Information Reporting pages to transaction details and use additional filters to isolate the information by specific transaction types (deposit, chargeback, adjustment and billing.)
- **Robust transaction search**: You can perform field queries that match specific card information, including: card type, segment/unique fields, payment type (deposit, chargeback, adjustment and billing) transaction reference, Merchant/Chain ID across all accounts, and available date ranges.
- **Dashboard widgets**: You can view roll-up information for card type and transaction type details across preset date ranges for configured accounts.

Access merchant details from Previous Day Information Reporting pages

1. When reviewing the Information Reporting Previous Day page, select an account to see the account details. Transactions containing merchant detail will be labeled as a **Merchant Transaction** within the **Transaction Description** column of the **Transaction Summary** table.
2. Click the amount in the **Merchant Transaction** line item. The Previous Day Transaction Detail page will open.

Transaction Summary for 11/06/20XX

Beginning Date (MM/DD/YYYY) 11/06/20XX To Ending Date (MM/DD/YYYY) 11/06/20XX Search

Date	Credit or Debit	Transaction Description	BAI Code	Transaction Reference	Amount	Action
11/06/XX	Debit	Check Paid	475	1234567890	$4.35	View Image
11/06/XX	Credit	Merchant Transaction	399	0000054321	$7,131,515.19	
11/06/XX	Debit	ACH Debit	469	0773786283	$2,706,658.83	View Addenda
11/06/XX	Debit	ZBA Debit	575	0123456789	$5,379,013.60	
11/06/XX	Credit	Incoming Fedwire	195	4898257	$6,786.00	
11/06/XX	Debit	Return Item	566	0003000014	$1,565.03	View Return(s)
11/06/XX	Credit	Merchant Transaction	399	0000054322	$199,419.40	
11/06/XX	Credit	Merchant Transaction	399	0000054323	$52,419.74	

Transactions 1 - 25 of 550
1 2 3 4 5 6 7 8 9 10 Next> Next 10>

3. The Previous Day Transaction Detail page displays the following transaction detail summary information:
    - Account Name/Account Number
    - Amount
    - Debit or Credit
    - Transaction Description
    - BAI Code
    - Payment Reference

   A **Transaction Detail** table also provides the item breakdown of the summary amount by **Transaction Type** (Adjustment, Billing, Chargeback and Deposit.)

Transaction Summary for 11/06/20XX Printable format

Account Name / Account Number	Amount	Credit or Debit	Transaction Description	BAI Code	Payment Reference
Sample Account A 123456789012	$7,131,515.19	Credit	Merchant Transaction	399	567800000000001

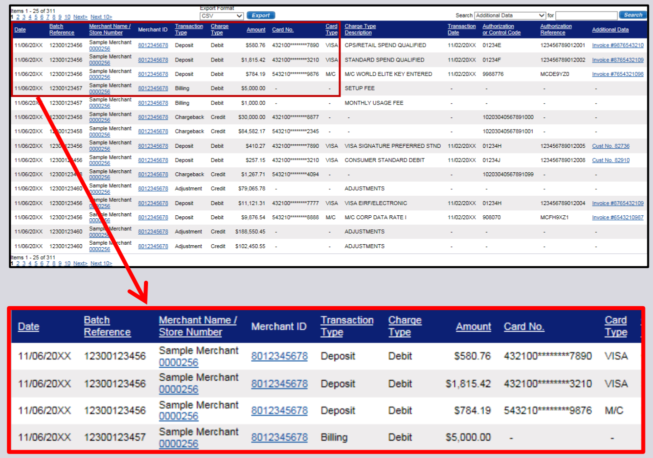
Transaction Detail for 11/06/20XX

To filter by transaction type, click the transaction type name in the table below.

Transaction Type	Number of Items	Total Amount
All Types	**311**	**$7,131,515.19**
Adjustment	4	$359,065.78
Billing	2	$6,000.00
Chargeback	54	$825,571.29
Deposit	251	$5,941,878.12

4. Additional transaction details are provided in the **Transaction Detail** table, including the following data points:

    - Date
    - Batch Reference
    - Merchant Name/Store Number
    - Merchant ID
    - Transaction Type
    - Charge Type (Credit/Debit)
    - Amount
    - Card No. (*masked)
    - Card Type (for example, Visa, MasterCard, Discover)

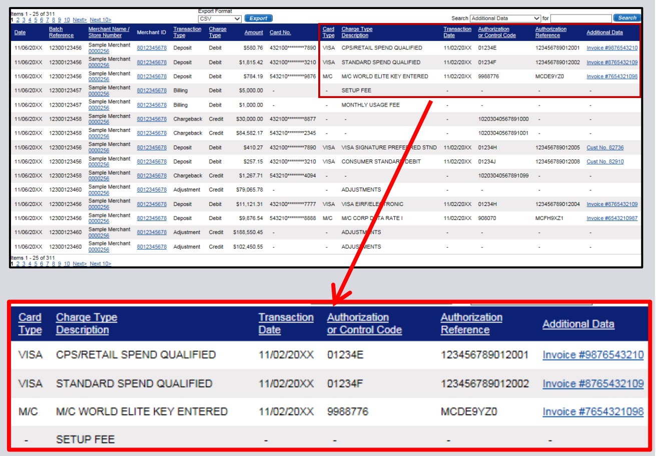


Date	Batch Reference	Merchant Name / Store Number	Merchant ID	Transaction Type	Charge Type	Amount	Card No.	Card Type
11/06/20XX	12300123456	Sample Merchant 0000256	8012345678	Deposit	Debit	$580.76	432100********7890	VISA
11/06/20XX	12300123456	Sample Merchant 0000256	8012345678	Deposit	Debit	$1,815.42	432100********3210	VISA
11/06/20XX	12300123456	Sample Merchant 0000256	8012345678	Deposit	Debit	$784.19	543210********9876	M/C
11/06/20XX	12300123457	Sample Merchant 0000256	8012345678	Billing	Debit	$5,000.00	-	-

5. Unique merchant-based processing data is provided for each line item:

    - Charge Type Description
    - Transaction Date
    - Authorization/Control Code
    - Authorization Reference
    - Additional Data – specific to each client, established during Elavon merchant setup and captured during processing.

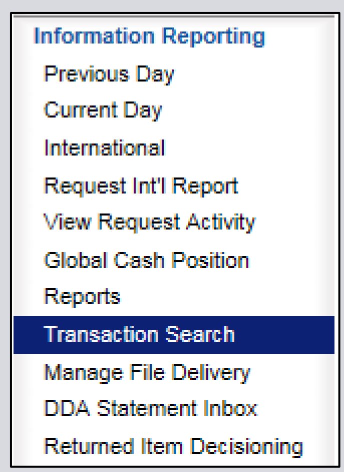
      Examples: invoice number, ticket number, patient ID, rewards card number.



Card Type	Charge Type Description	Transaction Date	Authorization or Control Code	Authorization Reference	Additional Data
VISA	CPS/RETAIL SPEND QUALIFIED	11/02/20XX	01234E	123456789012001	Invoice #9876543210
VISA	STANDARD SPEND QUALIFIED	11/02/20XX	01234F	123456789012002	Invoice #8765432109
M/C	M/C WORLD ELITE KEY ENTERED	11/02/20XX	9988776	MCDE9YZ0	Invoice #7654321098
-	SETUP FEE	-	-	-	

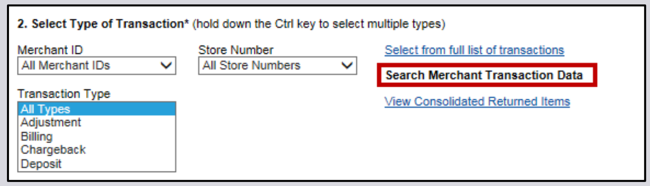
Search merchant transaction data

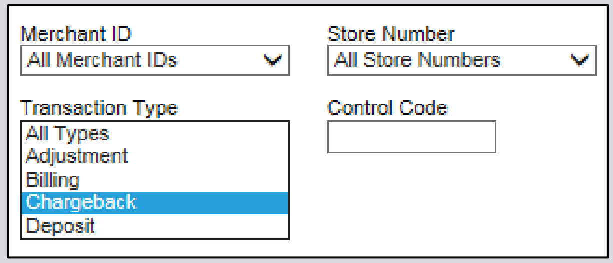
1. Navigate to **Transaction Search** within Information Reporting in the left-hand navigation.

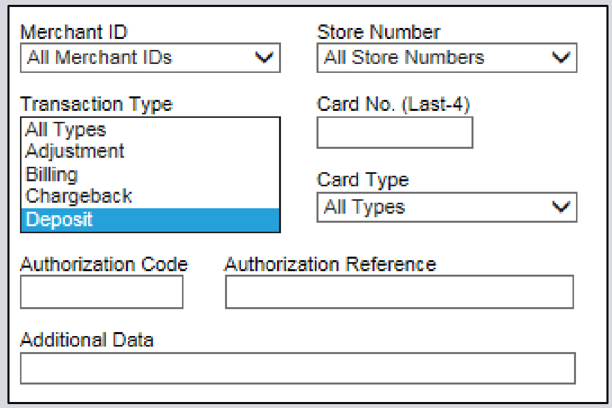


2. Click **Search Merchant Transaction Data**. New merchant-based search fields will then be visible.
   - After selecting your accounts (**Transaction Search Step 1**), search options for Merchant Transaction Data will change based on the **Transaction Type** selected.
     - o Chargeback
       - ▪ Control Code
     - o Deposit
       - ▪ Card No. (Last 4 digits)
       - ▪ Card Type
       - ▪ Authorization Code / Reference
       - ▪ Additional Data
   - After all desired criteria are selected, including amount and/or date range, click **Search**.

   Note: Items in blue found on the **Previous Day Transaction Detail** table are links to this search feature, pre-filling those data points for easy navigation and recall.

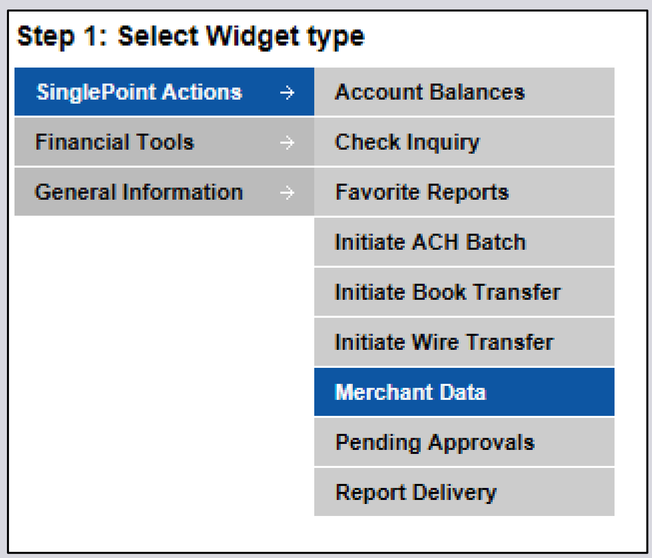




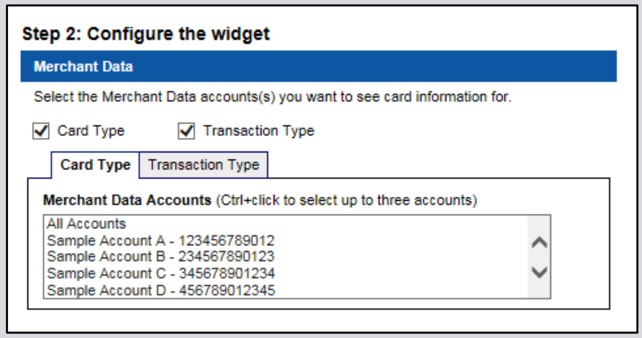


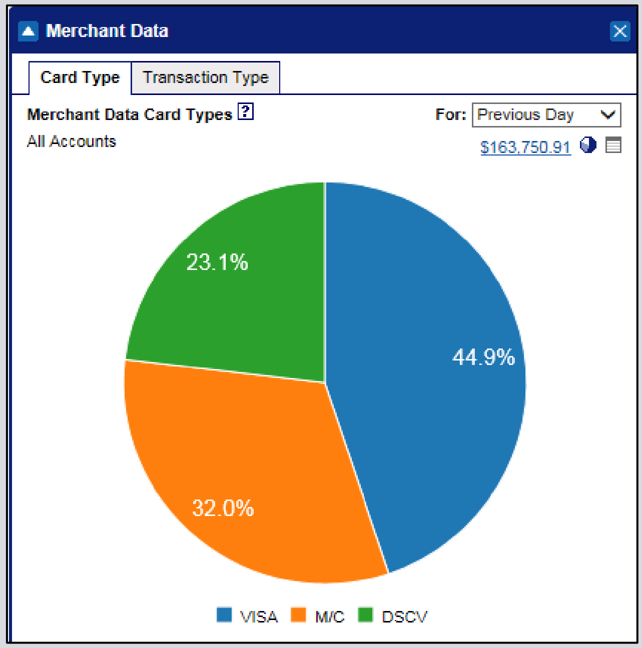
Set up your Merchant Data Dashboard widget

1. Navigate to your SinglePoint Dashboard by clicking **Dashboard** in the left-hand navigation.
2. Click **Add New Widget** at the top of the SinglePoint Dashboard page.
3. Select Widget type by clicking **SinglePoint Actions** and then **Merchant Data**.



4. Configure the Widget.
   - Select **Card Type** or **Transaction Type** or both.
   - If selecting both types, the Widget will allow you to toggle between the two views.
   - Create two separate widgets if you prefer not to toggle between types.
   - Select up to three accounts within **Merchant Data Accounts**.
   - Once the Widget is on the Dashboard, you may resize the widget by dragging it to another tile on the dashboard.
5. Use the Widget to display the data you want.
   - The default display will present data as a graph for selected accounts (from the previous step) for the **Previous Day**.
   - Select to display the data for the **Previous Week** or **Previous Month** by selecting from the dropdown list.
   - Toggle between the graphical display and the actual data table using the small icons next to the amount.
   - Select the dollar amount shown to navigate to the list of all data represented in the Widget.





Online help

- For detailed information about how to perform specific steps within SinglePoint, click **Help with this page** in the upper-right corner of any SinglePoint page.
- For the details of a certain field, click the context-specific help ? link.
- You may also download a PDF version of a user guide that is a compilation of all Information Reporting page help topics. To access the user guide, click **Help with SinglePoint** in the left-hand navigation. Then click **User Guides** within **Getting Started**.

Previous Day Summary and Detail
Sample Company A
SinglePoint
Reported Activity as of 11/06/20XX
Printed on 11/07/20XX at 12:27 PM CST

Bank Name	**USBMN - US BANK OF MINNESOTA**
Account Number	123456789012
Account Name	Sample Account A
Ledger Balance	$7,551,044.80
Collected + 1 Day	$1,237,959.88
Opening Collected	$1,769,895.39
One Day Float	$7,105,807.43
2 Day Float	$38,129.87
3 Day + Float	$0.00
Total Credits	$186,810,591.76
Number of Credits	32
Total Debits	$192,033,754.20
Total Amount of Debits	39
MTD Avg Collected	$271,840.55
MTD Avg Neg Collected	-$640,254.27

CREDITS

Customer Deposit(s)

Dollar Amount	Transaction Details
$7,131,515.19	IMMEDIATE FUNDS: 0.00/ 1 DAY FLOAT: 7,094,000.39/ 2 DAY FLOAT: 37,514.80/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXX3037
$12,188.38	IMMEDIATE FUNDS: 12,188.38/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX458
$6,028.88	IMMEDIATE FUNDS: 102.24/ 1 DAY FLOAT: 5,430.01/ 2 DAY FLOAT: 429.08/ 3 OR MORE DAY FLOAT: 67.55/ Bank Reference: XXXXXXX544
$2,505.34	IMMEDIATE FUNDS: 18.15/ 1 DAY FLOAT: 2,472.50/ 2 DAY FLOAT: 14.69/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX321
$1,991.52	IMMEDIATE FUNDS: 74.97/ 1 DAY FLOAT: 1,818.12/ 2 DAY FLOAT: 98.43/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX026
$1,628.38	IMMEDIATE FUNDS: 69.11/ 1 DAY FLOAT: 1,486.40/ 2 DAY FLOAT: 72.87/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX812
$600.01	IMMEDIATE FUNDS: 0.00/ 1 DAY FLOAT: 600.01/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX418

Subtotal: 7 Customer Deposit(s)

$7,156,457.70

ACH Settlement Credit(s)

Dollar Amount	Transaction Details
$86,149.91	PAYROLL SETTLEMENT ABC COMPANY Bank Reference: XXXXXXX888

Subtotal: 1 ACH Settlement Credit(s)

$86,149.91

ACH Credit Detail(s)+A120

Dollar Amount	Transaction Details
$1,282,770.71	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX970 Transaction Reference: XXXXXXX001
$986,660.00	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX920 Transaction Reference: XXXXXXX011
$800,502.00	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX708 Transaction Reference: XXXXXXX021
$200,300.00	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX270 Transaction Reference: XXXXXXX051
$150,000.00	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX271 Transaction Reference: XXXXXXX061
$98,000.00	BANKCARD XXXXXXX043 XXX241 DEPOSIT/SETTLE Bank Reference: XXXXXXX500 Transaction Reference: XXXXXXX004
$35,896.99	SETTLEMENTXXXXXXX270 XXXXXXXXXXXX001 DISCOVER NETWORK Bank Reference: XXXXXXX903 Transaction Reference: XXXXXXX000
$20,000.00	SETTLEMENTXXXXXXX270 XXXXXXXXXXXX001 DISCOVER NETWORK Bank Reference: XXXXXXX893 Transaction Reference: XXXXXXX020
$1,750.00	SETTLEMENTXXXXXXX270 XXXXXXXXXXXX001 DISCOVER NETWORK Bank Reference: XXXXXXX788 Transaction Reference: XXXXXXX221

Subtotal: 9 ACH Credit Detail(s)

$3,575,879.70

Incoming Wire Transfers

Dollar Amount	Transaction Details
$161,501,073.77	PAR Number: 0X1107002029 Fed Ref: 000275 Date/Time Received: November 7,20XX 07:44:00 CDT Originator: 1234567890123456 SAMPLE COMPANY BCDEF CITY STATE Originator Bank: BBREXPLPWMUL BRE BANK S.A. (FORMERLY BANK ROZWOJ U EKSPORTU S.A.) LODZ POLAND* Sending Bank: 0210000XX BANK ABCD Receiving Bank: 091000022US BANK MINNESOTA Beneficiary Ref: SWF OF 05/08/01 Originator to Beneficiary Info: ITEM 7531216038 HP 54720A GENNEX79***** IMAD: 20XX1107B1QGC08C000275

$8,002,880.00	PAR Number: 0X1107000165 Date/Time Received: November 7,20XX 08:03:08 CDT Originator: 000123456789012 SAMPLE COMPANY ABC CITY STATE Originator to Beneficiary Info: ITEM 7531216038 HP 54720A GENNEX79*
$6,200,504.00	PAR Number: 0X1107000166 Date/Time Received: November 7,20XX 08:03:08 CDT Originator: 000123456789012 SAMPLE COMPANY ABC CITY STATE Originator to Beneficiary Info: ITEM 7531216038 HP 54720A GENNEX79*
$6,786.00	PAR Number: 0X1107000176 Date/Time Received: November 7,20XX 08:03:08 CDT Originator: 000123456789012 SAMPLE COMPANY ABC CITY STATE Originator to Beneficiary Info: ITEM 7531216038 HP 54720A GENNEX79*
$3,000.00	PAR Number: 0X1107000109 Date/Time Received: November 7,20XX 08:03:08 CDT Originator: 000123456789012 SAMPLE COMPANY ABC CITY STATE Originator to Beneficiary Info: ITEM 7531216038 HP 54720A GENNEX79*

Subtotal: 4 Incoming Wire Transfers

$175,714,243.77

Sweep Interest Income

Dollar Amount	Transaction Details
$28.55	COMMERCIAL PAPER SWEEP INTEREST IMMEDIATE FUNDS: 28.55/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference:
$23.13	COMMERCIAL PAPER SWEEP INTEREST IMMEDIATE FUNDS: 23.13/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference:

Subtotal: 2 Sweep Interest Income

$51.68

Sweep Principal Credit

Dollar Amount	Transaction Details
$277,798.91	COMMERCIAL PAPER SWEEP PRINCIPAL IMMEDIATE FUNDS: 277,798.91/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference:

Subtotal: 1 Sweep Principal Credit

$277,798.91

Miscellaneous Credit(s)

Dollar Amount	Transaction Details
$4.14	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 4.14/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX825 Transaction Reference: XXXXXXX065
$2.14	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 2.14/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX825 Transaction Reference: XXXXXXX065
$2.01	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 2.01/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX825 Transaction Reference: XXXXXXX065
$1.56	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 1.56/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX825 Transaction Reference: XXXXXXX065
$0.11	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 0.11/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX542 Transaction Reference: XXXXXXX070
$0.09	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 0.09/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX616 Transaction Reference: XXXXXXX005
$0.04	MISCELLANEOUS CREDIT IMMEDIATE FUNDS: 0.04/ 1 DAY FLOAT: 0.00/ 2 DAY FLOAT: 0.00/ 3 OR MORE DAY FLOAT: 0.00/ Bank Reference: XXXXXXX540 Transaction Reference: XXXXXXX070

Subtotal: 7 Miscellaneous Credit(s)

$10.09

TOTAL CREDITS

$1,730,025.19

DEBITS

ACH Debit(s)

Dollar Amount	Transaction Details
$47,855.52	021406-HAVRE XXXXXXX554 AC#XXXXXXXX6283 Bank Reference:
$728.31	SETTLEMENTXXXXXXX270 XXXXXXXXXXXX001 DISCOVER NETWORK Bank Reference: XXXXXXX144 Transaction Reference: XXXXXXX001

Subtotal: 2 ACH Debit(s)

$48,583.83

Check(s) Paid

Dollar Amount	Transaction Details
$913,184.04	Bank Reference: 7716982 3456789012 Transaction Reference: 0000000012
$900,061.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000013
$121,600.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000018
$55,121.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000001
$48,400.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000044
$20,371.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000014
$10,146.76	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000022
$4,233.00	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000089
$910.96	Bank Reference: 7717164 2345678901 Transaction Reference: 0000000068
$158.85	Bank Reference: XXXXXXX643 Transaction Reference: XXXXXXX059
$4.35	Bank Reference: 7717228 1234567890 Transaction Reference: 0000000042

Subtotal: 11 Check(s) Paid

$2,074,190.96

Target Balance Debit(s)

Dollar Amount	Transaction Details
$49,429,333.32	FUNDS TRANSFER TO DDA ACT XXX302016305 Bank Reference: XXXX000693
$5,379,013.60	FUNDS TRANSFER TO DDA ACT XXX300504104 Bank Reference: XXXX000625
$1,526,409.62	FUNDS TRANSFER TO DDA ACT XXX302016628 Bank Reference: XXXX000695

Subtotal: 3 Target Balance Debit(s)

$56,334,756.54

Outgoing Wire Transfers

Dollar Amount	Transaction Details
$106,012,003.00	PAR Number: 0X1107501171 Fed Ref: 000006 Date/Time Completed: November 7,20XX 08:03:08 CDT Repeat Code: 12345 Receiving Bank: ABCDEF Bank. Beneficiary Bank: E CREDIT UNION BANK LTD Beneficiary: 0123456799012345 SAMPLE CO GHIJ Beneficiary Ref: ITEM 12345

Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
IMAD: 21156465654
Source: SPT Control Number: 12002
Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX
Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

$13,424,624.16 PAR Number: 0X1107501181
Fed Ref: 000006
Date/Time Completed: November 7,20XX 08:03:08 CDT
Repeat Code: 12345
Receiving Bank: ABCDEF Bank.
Beneficiary Bank: E CREDIT UNION BANK LTD
Beneficiary: 0123456799012345 SAMPLE CO GHIJ
Beneficiary Ref: ITEM 12345
Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
IMAD: 21156465654
Source: SPT Control Number: 12002
Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX
Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

$5,822,052.00 PAR Number: 0X1107501181
Fed Ref: 000006
Date/Time Completed: November 7,20XX 08:03:08 CDT
Repeat Code: 12345
Receiving Bank: ABCDEF Bank.
Beneficiary Bank: E CREDIT UNION BANK LTD
Beneficiary: 0123456799012345 SAMPLE CO GHIJ
Beneficiary Ref: ITEM 12345
Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
IMAD: 21156465654
Source: SPT Control Number: 12002
Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX
Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

$4,821,000.00 PAR Number: 0X1107501181
Fed Ref: 000006
Date/Time Completed: November 7,20XX 08:03:08 CDT
Repeat Code: 12345
Receiving Bank: ABCDEF Bank.
Beneficiary Bank: E CREDIT UNION BANK LTD
Beneficiary: 0123456799012345 SAMPLE CO GHIJ
Beneficiary Ref: ITEM 12345
Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
IMAD: 21156465654
Source: SPT Control Number: 12002
Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX
Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

$2,848,500.00 PAR Number: 0X1107501181
Fed Ref: 000006
Date/Time Completed: November 7,20XX 08:03:08 CDT
Repeat Code: 12345
Receiving Bank: ABCDEF Bank.
Beneficiary Bank: E CREDIT UNION BANK LTD
Beneficiary: 0123456799012345 SAMPLE CO GHIJ
Beneficiary Ref: ITEM 12345
Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
IMAD: 21156465654
Source: SPT Control Number: 12002
Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX

Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

$109,000.00	PAR Number: 0X1107501181
	Fed Ref: 000006
	Date/Time Completed: November 7,20XX 08:03:08 CDT
	Repeat Code: 12345
	Receiving Bank: ABCDEF Bank.
	Beneficiary Bank: E CREDIT UNION BANK LTD
	Beneficiary: 0123456799012345 SAMPLE CO GHIJ
	Beneficiary Ref: ITEM 12345
	Originator to Beneficiary Info: FOR FURTHER CREDIT SAMPLE RECIPIENT XXXXXX ACCT NO 123456
	Originator: 000123456789012 SAMPLE COMPANY ABC CITY ROAD 18 NORTH MINNEAPOLIS MN 55428
	IMAD: 21156465654
	Source: SPT Control Number: 12002
	Initiated By: User1 on Wed Nov 11 14:00:46 CDT 20XX
	Approved By: User2 on Wed Nov 11 14:01:04 CDT 20XX

Subtotal: 5 Outgoing Wire Transfers

$133,037,179.16

Securities Purchased

Dollar Amount	**Transaction Details**
$530,774.66	SWEEP TO COMMERCIAL PAPER INVESTMENT
	Bank Reference: XXXXXXX107

Subtotal: 1 Securities Purchased

$530,774.66

Currency and Coin Shipped

Dollar Amount	**Transaction Details**
$2,525.00	COIN/CURRENCY PURCHASED
	Bank Reference: XXXXXXX641
	Transaction Reference: XXXXXXX062
$2,300.00	COIN/CURRENCY PURCHASED
	Bank Reference: XXXXXXX214
	Transaction Reference: XXXXXXX020
$600.00	COIN/CURRENCY PURCHASED
	Bank Reference: XXXXXXX261
	Transaction Reference: XXXXXXX005

Subtotal: 3 Currency and Coin Shipped

$5,425.00

Miscellaneous Fee(s)

Dollar Amount	**Transaction Details**
$63.64	Bank Reference: XXXXXXX020
$42.52	Bank Reference: XXXXXXX020
$34.90	Bank Reference: XXXXXXX038
$31.00	Bank Reference: XXXXXXX042
$21.00	Bank Reference: XXXXXXX072
$20.00	Bank Reference: XXXXXXX073
$18.00	Bank Reference: XXXXXXX083
$15.61	Bank Reference: XXXXXXX013
$11.01	Bank Reference: XXXXXXX093
$10.12	Bank Reference: XXXXXXX088

Subtotal: 10 Miscellaneous Fee(s)

$267.80

Miscellaneous Debit(s)

Dollar Amount	**Transaction Details**

$2,575.00	CIB BOOK TRANSFER INTO DDA XXXXXXX068 Bank Reference:
$0.71	Bank Reference: XXXXXXX683 Transaction Reference: XXXXXXX070
$0.45	Bank Reference: XXXXXXX567 Transaction Reference: XXXXXXX044
$0.09	Bank Reference: XXXXXXX035 Transaction Reference: XXXXXXX008

Subtotal: 4 Miscellaneous Debit(s)

$2,576.25

TOTAL DEBITS

$588,786.39

GRAND TOTAL

Ledger Balance	$7,551,044.80
Collected + 1 Day	$1,237,959.88
Opening Collected	$1,769,895.39
One Day Float	$7,105,807.43
2 Day Float	$38,129.87
3 Day + Float	$0.00
MTD Avg Collected	$271,840.55
MTD Avg Neg Collected	-$640,254.27
Total Amount of Credits	$186,810,591.76
Number of Credits	32
Total Amount of Debits	$192,033,754.20
Number of Debits	39

---End of Report---

SinglePoint Export Report Specifications – Comma-Separated Value File

The following information details the Comma-Separated Value (CSV) Format file layout of SinglePoint previous and current day export files. You may open files in both Microsoft Excel and Notepad.

We included examples of Previous Day reporting. Certain status and summary codes differ between Previous Day and Current Day. Current day reports have the same creation, begin and end dates.

CSV Format (Opening with Excel)

The CSV export file is composed of the **Header**, **Detail** and **Trailer** records.

To view a report containing **only** detail records, click the Exclude Header and Trailer Information checkboxes at the bottom of the **Export Criteria** tab on the Filter Report page in SinglePoint Information Reporting.

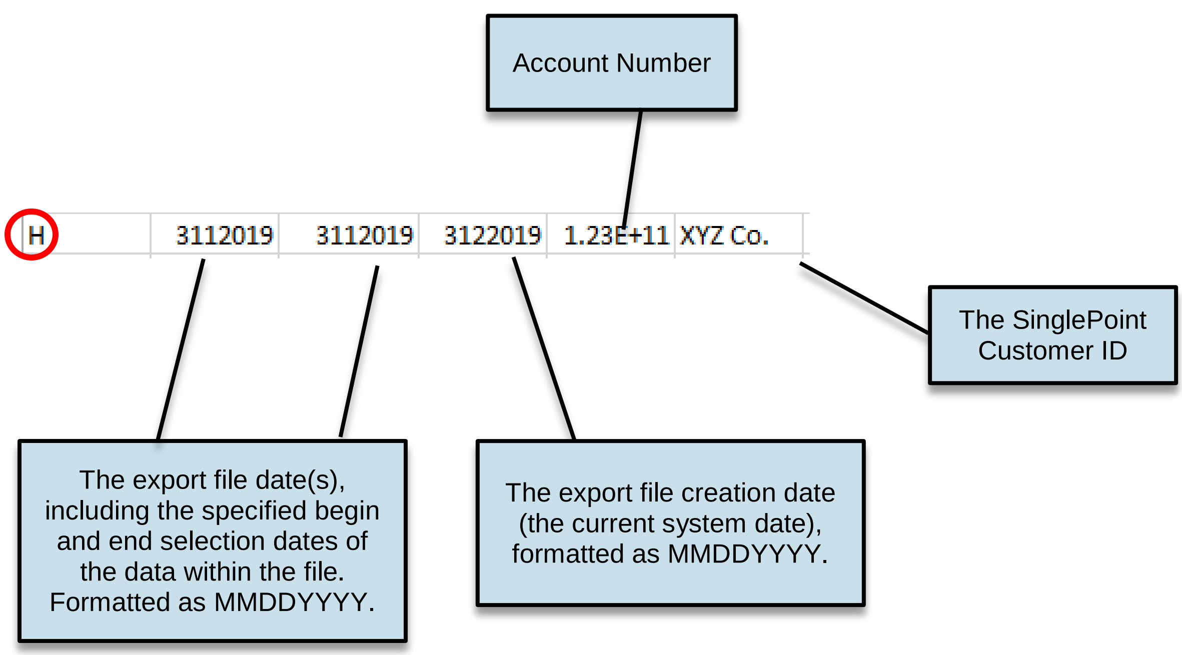
To remove the Record Indicatory column, go to Filter Report > **Export Criteria** tab > Select **Record Indicator** > click **Remove Selected Data Fields**.

Please note the following:

- Account and routing number fields may report in exponential notation by default. To view full numbers, you may need to adjust column formats to "number."
- Dates formatted as MMDDYYYY drop off the leading zeroes for months with single-digits.

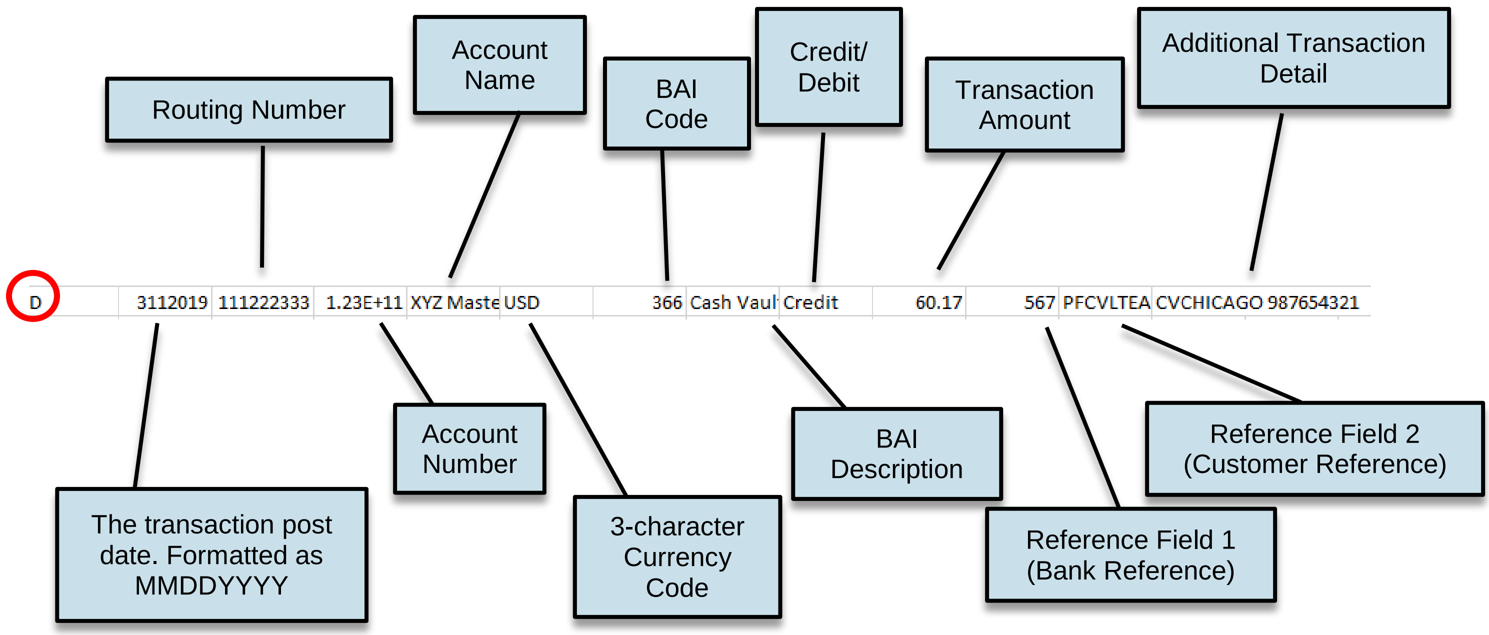
Header Record

The **Header Record** consists of the following fields:



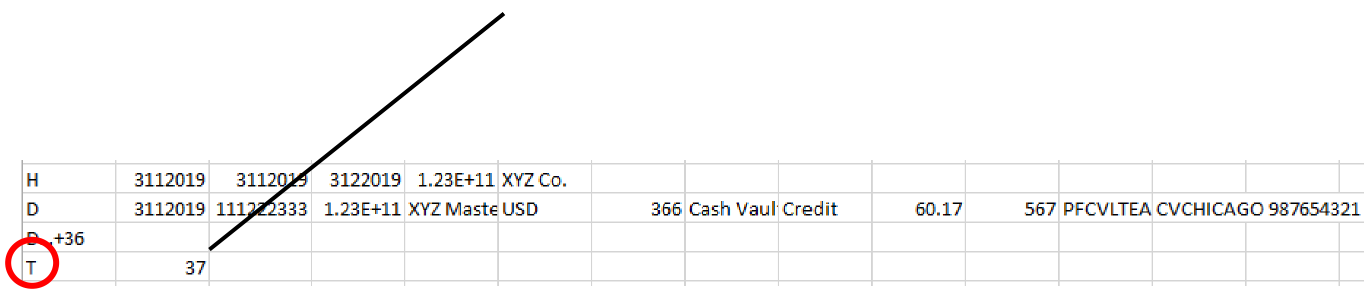
Detail Records

The **Detail Records** follow the Header Record and consist of the following fields:



Trailer Record

The **Trailer Record** consists of the **number of data records** in the file.



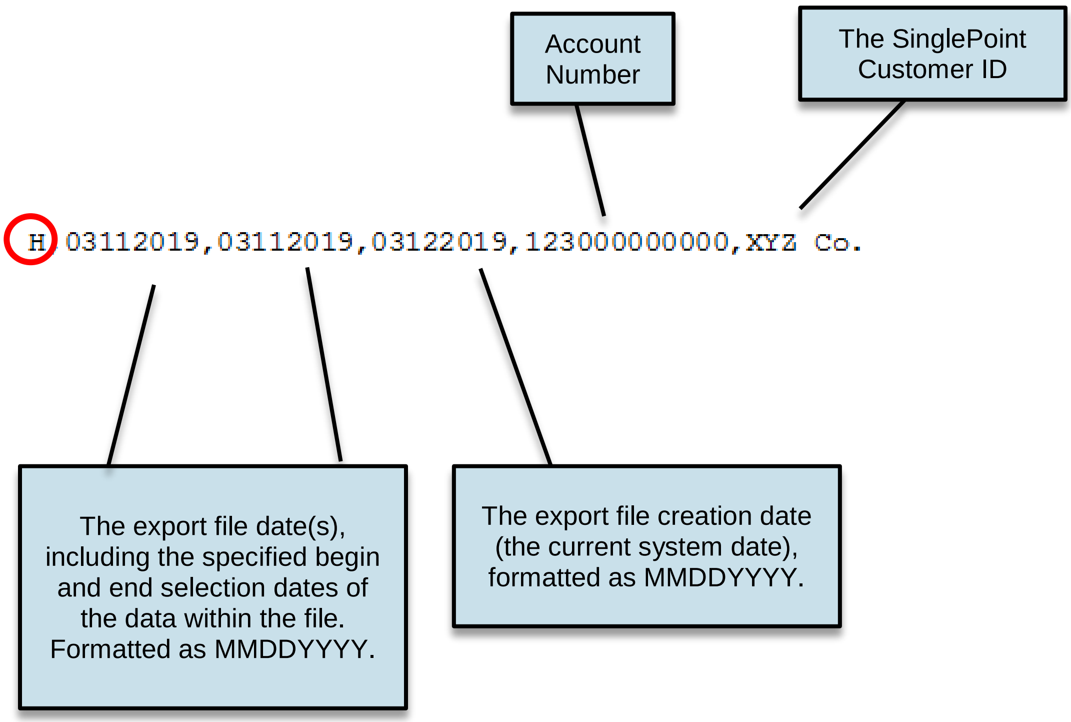
CSV Format (Opening with Notepad)

The CSV export file is composed of the **Header**, **Detail** and **Trailer** records.

To view a report containing **only** detail records: Filter Report > Export Criteria > Select **Record Indicator** > Remove Selected Data Fields

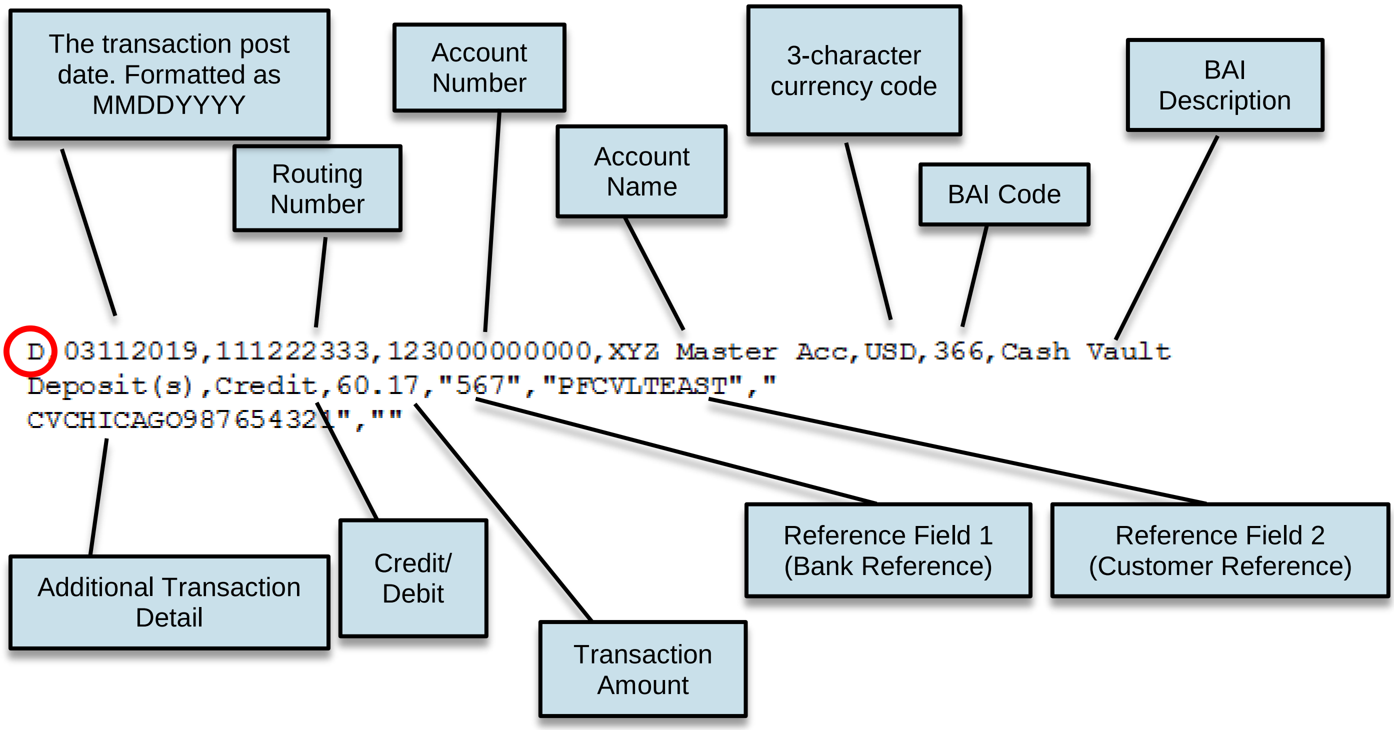
Header Record

The **Header Record** consists of the following fields:



Detail Records

The **Detail Records** follow the Header Record and consist of the following fields:



Trailer Record

The **Trailer Record** consists of the **number of data records** in the file.

```
H,03112019,03112019,03122019,123000000000,XYZ Co.
D,03112019,111222333,123000000000,XYZ Master Acc,USD,366,Cash Vault
Deposit(s),Credit,60.17,"567","PFCVLTEAST","
CVCHICAGO987654321",""
D...+36
T 37
```

ELAVON MASTER SERVICES AGREEMENT

This Master Services Agreement ("**Agreement**") is between Elavon, Inc. ("**Elavon**") and the entity identified as Company in the signature block below ("**Company**"). The Agreement will be effective on the date in Elavon's signature block (the "**Effective Date**"). The Agreement consists of:

☒ This signature page, the General Terms and Conditions, and Appendix 1 – Definitions;
☒ Schedule A – Fees;
☒ Schedule B – Company Application
☒ Schedule C – Affiliated Entities
☐ Schedule D – Processing Services Terms;
☐ Schedule E – SAFE-T Terms;
☐ Schedule F – Services in Canada;
☐ Schedule G – Services in Puerto Rico;
☐ Schedule H – Government Terms;
☐ Schedule I – Electronic Check Services Terms; and
Any other schedules and any applicable Statements of Work entered into under the Agreement.

Agreed and accepted

___________________________________,
on behalf of itself and each Affiliated Entity ("Company"):

By:_________________________________

Name:_______________________________

Title:_______________________________

Date:_______________________________

ELAVON

By:_________________________________

Name:_______________________________

Title:_______________________________

Effective Date:________________________

If Company is receiving Processing Services under Schedule D to the Agreement, the Member, as designated on the Company Application (attached as Schedule B), agrees to and accepts the Agreement solely as to the terms in Schedule D, Section 1.7.

MEMBER

By:_________________________________

Name:_______________________________

Title:_______________________________

Date:_______________________________

GENERAL TERMS AND CONDITIONS

1. **Defined Terms.** Capitalized terms used in the Agreement will have the meanings stated in Appendix 1.

2. **Scope of Agreement.** The Agreement governs Company's receipt and use of the Services selected by Company in the Company Application. In addition to the terms of the Agreement, Company will comply with the general terms of the Operating Guide, any terms of the Operating Guide applicable to each selected Service, and any Documentation Elavon provides to Company in writing from time to time that is applicable to the Services.

3. **Affiliated Entities.** Company's Affiliated Entities may use the Services so long as they comply with all restrictions, obligations, and requirements imposed on Company. Company will remain fully responsible for any use of the Services by any Affiliated Entities, will cause its Affiliated Entities to comply with the terms and conditions of the Agreement, and will be liable for the acts and omissions of each Affiliated Entity, in each case as though each Affiliated Entity were Company. Affiliated Entities may not enforce the terms of the Agreement against Elavon. The parties may add Affiliated Entities to Schedule C after the Effective Date by substituting a new Schedule C that is in writing and signed by Company and Elavon. Company will promptly notify Elavon in writing if any entity on Schedule C no longer qualifies as an Affiliated Entity that Company allows to use the Services. For any acts or omissions of an Affiliated Entity giving rise to a termination right by Elavon under Section 4.2, Elavon may terminate the Agreement with respect to (i) only such breaching Affiliated Entity, or (ii) Company and all Affiliated Entities. If Elavon terminates the Agreement under Section 4.2 as to Company, the Agreement will terminate with respect to Company and all Affiliated Entities.

4. **Term and Termination**

4.1. **Term**. Unless terminated as provided below, the Agreement will remain in effect for the Initial Term stated in Schedule A. Thereafter, the Agreement will automatically renew for successive Renewal Terms as stated in Schedule A unless terminated as provided below.

4.2. **Termination**.

(a) **Non-Renewal.** Either party may terminate the Agreement effective at the end of the Initial Term or any Renewal Term by providing written notice of non-renewal to the other party at least 90 days prior to the expiration of the then current Term.

(b) **By Either Party for Cause**.

(i) Either party may terminate the Agreement if any of the following conditions remain uncured 30 days after the terminating party notifies the other party in writing of the existence of the condition:

(1) The other party has failed to pay the party an undisputed amount owed to the party under the Agreement; or

(2) The other party has failed to perform a material obligation under the Agreement.

(ii) Either party may terminate the Agreement immediately in writing if any of the following occur:

(1) The commencement of a Bankruptcy Proceeding by or against the other party;

(2) Any representation by the other party in Section 12 is false or misleading in any material respect as of the date made, or becomes false or misleading in any material respect at any time during the Term;

(c) **By Elavon for Cause**. Elavon may terminate the Agreement immediately in writing if any of the following occur:

(i) A material adverse change in Company's financial condition;

(ii) Any Payment Network or application of Payment Network Regulations requires Elavon to terminate the Agreement or cease processing Transactions for Company; or

(iii) Assignment of the Agreement or a Change of Control of Company without Elavon's written consent.

(d) **Force Majeure**. Company will have the termination right stated in Section 18.14 if a Force Majeure occurs.

(e) **Additional Termination Rights**. If Company is receiving Processing Services, Elavon also will have the termination rights set out in Section 1.6 of Schedule D.

4.3. **Account Closing.**

(a) Company acknowledges that closing Company's account with Elavon may take up to 30 days following Elavon's receipt of written notice of termination.

(b) All obligations of a party regarding Transactions serviced prior to termination will survive termination. Company will maintain enough funds in the DDA following termination to cover all Chargebacks and returns (if Company is receiving Processing Services), adjustments, fees, fines, penalties, assessments and charges from the Payment Networks and other amounts due under the Agreement for at least 180 days after termination.

4.4. **Early Termination Fee**. If Company terminates the Agreement before the end of the Initial Term (except for termination for Elavon's uncured default as stated in Section 4.2(b), termination pursuant to Section 4.2(d), or for discontinuance of the Services as stated in Section 7), Company will immediately pay Elavon an Early Termination Fee. Company acknowledges that the Early Termination Fee is not a penalty, but rather a reasonable estimate of the damages Elavon sustained because of Company's termination of the Agreement before the end of the Initial Term.

4.5. **Transition Assistance.**

(a) Subject to Section 4.5(b) and at Company's request, Elavon will provide Company with up to 90 days of Elavon's standard assistance in transitioning Services provided under the Agreement to Company or a provider designated by Company, which transition assistance will begin on the termination date of the Services (or such earlier date following notice of termination as may be requested by Company) (the "**Transition Period**") and will be at no additional cost to Company. Elavon will continue to perform, and Company will continue to pay Elavon, in accordance with the Agreement during any such Transition Period. Company will pay Elavon, at Elavon's then-standard rates, for any services in addition to Elavon's standard transition assistance. Each party will fully comply with all provisions of the Agreement during any Transition Period.

(b) Elavon will not be obligated to provide transition assistance to Company under Section 4.5(a) if Elavon terminates the Agreement for cause under Sections 4.2(b), (c), or (e).

5. **Authorized Users; Access; Security of Passwords and User IDs**.

5.1. Company will be responsible for the distribution of all passwords and user IDs issued to any Authorized User and for maintaining the confidentiality and security of Authorized User's passwords and user IDs. Company will ensure that the access granted to each Authorized User to the Services is limited to only the access and information necessary for the Authorized User to perform his or her job functions on behalf of Company. Company will ensure that all Authorized Users will be trained and qualified to access and use the Services in accordance with the terms of the Agreement, the Operating Guide and any Documentation. Company is responsible for its Authorized Users' compliance with the terms of the Agreement, the Operating Guide, and the Documentation, for all acts or omissions of the Authorized Users, and for all use of any user ID and password other than by Elavon or Elavon's third-party contractors or use by third-parties of user IDs and passwords obtained by such third parties from Elavon or Elavon's third-party contractors.

5.2. Company will not, and will ensure that its Authorized Users do not:

(a) access or use the Services for any purposes other than for its own internal business purposes (except as authorized by Elavon) as disclosed to Elavon in writing;

(b) modify, reverse engineer, disassemble or decompile any part of the Services or Elavon Materials;

(c) knowingly transmit any data that contains software viruses, time bombs, worms, Trojan horses, spyware, disabling devices, malicious code, or other harmful or deleterious computer code, files or programs to or through the Services; provided, that Company will use commercially reasonable measures (at least industry standard) to screen for the foregoing.

(d) interfere with or disrupt the servers or networks connected to or providing the Services;

(e) remove, change or obliterate the copyright, trademark or other proprietary protection legends or notices that appear in connection with access to and use of the Services or any Elavon Materials; or

(f) copy, re-sell, republish, download, frame or transmit the Services or Elavon Materials, including in order to act as a consultant for any third party or, unless otherwise permitted under the Agreement, as a service bureau, outsourcing or application service provider for any third parties, or otherwise allow any third party to use or access the Services.

5.3. Company is responsible for changing the user IDs and passwords of its Authorized Users if it believes that any of those user IDs or passwords have been stolen or might otherwise be misused and for disabling any Authorized User's IDs and passwords promptly upon the termination of employment of such Authorized User or the cessation of such Authorized User's need to access the Services. Company will promptly notify Elavon if Company believes the Services or Elavon's databases have been compromised by use of a user ID or password associated with the Services.

6. **Fees and Taxes**.

6.1. **Compensation**. Company will compensate Elavon for all fees and other amounts due for the Services and Equipment in accordance with Schedule A, any Statement of Work, and any additional application or setup forms (including enrollment forms), addenda or schedules mutually agreed upon in writing by Elavon and Company. Such amounts will be calculated and debited from the DDA (or, if applicable and Company is receiving Processing Services, the Reserve Account), once each day or month for the previous day's or month's activity, as applicable, or (if Company is receiving Processing Services) will be deducted from the funds due Company under the Agreement.

6.2. **Research**. Company will pay Elavon at its standard rates for each research item as stated in Schedule A, including research required to respond to any third party or government subpoena, summons, levy, garnishment or required reporting on Company's account.

6.3. **Change of Fees.** Elavon will not amend the fees for the Services for the Initial Term except (i) as stated in Schedule A or (ii) to pass through to Company increases in interchange, assessments or charges, or increased or new fees imposed by a third party (including a Payment Network).

6.4. **Other Amounts Owed**.

(a) In addition to the amounts described in Sections 6.1 and 6.2 above, Company will promptly pay Elavon for:

(i) Any fines, penalties, assessments, or charges (including all fines, penalties, assessments, or charges by the Payment Networks as a result of Company's violation of Payment Network Regulations), attributable to the Agreement (other than those directly attributable to Elavon's acts or omissions); and

(ii) if Company is receiving Processing Services, any Chargebacks, returns, adjustments and associated fees.

Elavon may debit these amounts from Company's DDA (or, if applicable and Company is receiving Processing Services, the Reserve Account) by ACH, or, if Company is receiving Processing Services, offset these amounts from funds Elavon otherwise owes to Company. If such offset or ACH debit does not fully reimburse Elavon for the amount owed, Company will promptly pay Elavon such amount upon demand.

(b) Elavon will charge interest on all uncollected amounts owed to Elavon that are more than 30 days past due at a rate no greater than the maximum rate of interest permitted under Laws.

6.5. **Taxes**. Company will pay all taxes and other charges imposed by any governmental authority on the Services and Equipment provided under the Agreement, excluding any taxes based on Elavon's property or net income. If Company is a tax-exempt entity, Company will provide Elavon with an appropriate certificate of tax exemption.

6.6. **Demand Deposit Account**. Company will establish and maintain one or more DDAs to facilitate payment of fees to Elavon. Company irrevocably authorizes Elavon and its Affiliates that provide Services under the Agreement to initiate ACH credit and debit entries to the DDA in order to pay the fees and any other amounts that may be due by Company to Elavon under the Agreement, and Company authorizes its depository institution to grant Elavon access to any information or records regarding the DDA reasonably requested by Elavon to debit or credit the DDA and to otherwise exercise Elavon's rights under the Agreement with respect to the DDA. The foregoing authorizations will remain in effect after termination of the Agreement until all of Company's payment obligations to Elavon have been paid in full. Elavon has the right to rely on written instructions submitted by Company requesting changes to the DDA. If Company changes the DDA, the ACH authorizations established under this Agreement will apply to the new account, and Company will provide Elavon such information regarding the new DDA as Elavon deems necessary to effect debits from or credits to the DDA as provided under the Agreement. It may take Elavon up to 10 business days after Elavon's receipt of a written notice from Company to reflect in Elavon's system any change to Company's DDA.

7. **Modifications and Discontinuance of Services**. Elavon may modify the Services or particular components of the Services from time to time and will use commercially reasonable efforts to notify Company of any material modifications. If Elavon ceases to make a Service selected by Company generally available to its merchant customers (a "**Discontinued Service**"), Elavon may cease providing such Discontinued Service to Company upon 180 days' advance written notice. If discontinuing the Discontinued Service has a material impact on Company, Company may terminate the Agreement without any obligation to pay the Early Termination Fee by notifying Elavon in writing within 60 days of Company's receipt of Elavon's notice of the Discontinued Service. If Company does not terminate the Agreement within such 60-day period, the Agreement will continue in full force and effect without the Discontinued Service. Elavon will not be liable to Company or to any third party for any modification or discontinuance of the Services as described in this Section 7. Company may request transition assistance from Elavon under Section 4.5 for any Discontinued Service.

8. **Compliance with Laws and Payment Network Regulations.**

8.1. **General.** Elavon and Company will comply with all Laws and Payment Network Regulations applicable to the selected Services.

8.2. **Office of Foreign Assets Control Compliance.** Company acknowledges that Elavon is an entity governed by the Laws of the United States of America and as such, cannot provide any products or services to Company or its Customers that contravene the Laws of the United States of America, including the Laws promulgated by OFAC or the United States Department of the Treasury or any successor thereto.

8.3. **Export Laws Compliance.** Company will comply with all United States export Laws governing the export and re-export of hardware, software or technology applicable to the Services and Equipment, including United States Department of State International Traffic In Arms Regulations (ITAR), United States Foreign Corrupt Practices Act, United States Commerce Department's Export Administration Regulations, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and Laws promulgated by OFAC or the United States Department of the Treasury or any successor thereto. Company will not, and will not request Elavon to, export, directly or indirectly, any technical data pursuant to the Agreement or any product using any such data to any country for which the United States Government or any agency thereof at the time of export requires an export license or other governmental approval without first obtaining such license or approval.

8.4. **Customer Identification**. To help the United States Government fight the funding of terrorism and money laundering activities, federal law requires financial institutions and their affiliates to obtain, verify, and record information that identifies each person who opens an account. Accordingly, Company will provide certain information and identifying documents requested by Elavon to allow Elavon to identify Company.

9. **Confidentiality; Data Security and Use**.

9.1. **Confidentiality**.

(a) **Confidential Information Generally**. Each party will protect the other party's Confidential Information from unauthorized disclosure, publication, or dissemination with the same standard of care and discretion it employs with similar information of its own, but in no event less than reasonable care, and will not use, reproduce, distribute, disclose, or otherwise disseminate the other party's Confidential Information except in connection with the performance of its obligations or rights under the Agreement. The Receiving Party acknowledges that any breach of this Section 9.1 by the Receiving Party may result in irreparable harm to the Disclosing Party for which monetary damages may not provide a sufficient remedy. Therefore, the Disclosing Party may seek both monetary damages and equitable relief with respect to any such breach without any obligation to post bond.

(b) **Disclosure of Confidential Information.** If the Receiving Party or its agents become legally required or compelled (by any publicly filed and noticed deposition, interrogatory, request for documents, civil subpoena, civil investigative demand or by any similar process or court or administrative order) to disclose Confidential Information, then the Receiving Party if permitted will provide the Disclosing Party with prompt prior written notice of such legal requirement so that the Disclosing Party may seek a protective order or other appropriate remedy. If the Disclosing Party does not obtain a protective order or other remedy, the Receiving Party agrees to disclose only that portion of the Confidential Information which the Receiving Party is legally required to disclose and to use reasonable efforts to obtain assurances that confidential treatment will be accorded such Confidential Information. Neither party will be obligated to notify the other of the receipt of any non-public or confidential investigative demand, summons, or grand jury subpoena or other similar process that requires confidentiality on the part of the applicable party.

(c) **Duration of Obligations.** The non-disclosure obligations in this Section 9.1 will continue (i) with respect to Confidential Information that does not constitute a trade secret, for three years following termination, and (ii) with respect to Confidential Information that is a trade secret under Laws, for the longer of three years after termination and such period as the information retains its status as a trade secret under Laws.

(d) **Obligations on Termination.** At the request of the Disclosing Party upon the termination of the Agreement, the Receiving Party will promptly delete or return to the Disclosing Party all originals and copies containing or reflecting any Confidential Information of the Disclosing Party (other than those required to be retained by Law, or that would be unreasonably burdensome to destroy, such as archived computer records). If a dispute arises between the parties in relation to the Confidential Information or the Agreement, the Receiving Party may retain a copy of such Confidential Information as the Receiving Party reasonably determines is necessary for its defense of the dispute. In all cases, any retained Confidential Information will continue to be subject to the terms of the Agreement.

9.2. **Data Security and Use.**

(a) **Security Programs Compliance**. Elavon and Company will each comply with the applicable requirements of the Security Programs.

(b) **PCI-DSS Attestation**. Company may review Elavon's current PCI-DSS compliance status on the Payment Network websites as available. Elavon will undergo an annual assessment of its compliance with the Security Programs and, if applicable to the Services provided under the Agreement, the Payment Application Data Security Standards. At Company's written request, Elavon will provide to Company a written attestation of Elavon's compliance with the security requirements related to Cardholder Data promulgated by the Payment Card Industry Security Standards Council.

(c) **Elavon Data Breach**. If Elavon suffers an Elavon Data Breach, then it will comply with all Laws and Payment Network Regulations with respect to such Elavon Data Breach, including providing the required reporting and forensic audits to the Payment Networks, and, unless prohibited by law enforcement or the Payment Networks, will inform Company of such Elavon Data Breach. Elavon will not pass-through or require Company to be liable to Elavon for any fees, fines, penalties, assessments, or charges levied against Elavon by the Payment Networks in connection with an Elavon Data Breach. Unless otherwise required or directed under Law, the Payment Network Regulations, or a Payment Network, Elavon will not (i) contact or inform any Customer of whose data may have been the subject of an Elavon Data Breach of the occurrence of the Elavon Data Breach, or (ii) publicly disclose that information provided by Company to Elavon was the subject in any part of an Elavon Data Breach. If Elavon is legally obligated or the Payment Network Regulations or Payment Networks require Elavon to contact Customers as part of an Elavon Data Breach, Elavon will limit the notices to such

Customers to those required by the legal obligation, the Payment Network Regulations, or the Payment Networks, or as approved by Company.

(d) **Cardholder Data and Transaction Information**.

(i) Elavon and Company will ensure the security of Cardholder Data and Transaction Information in accordance with all Laws and Payment Network Regulations. Elavon and Company will retain Cardholder Data and Transaction Information for the duration required by Laws and the Payment Network Regulations and thereafter will destroy, in a manner that will render the information unreadable, all such information that is no longer necessary or appropriate to maintain for ordinary business purposes.

(ii) Company will not disclose Cardholder Data to any third party, except to a Service Provider, unless required by Laws or the Payment Network Regulations. Company will not retain or store magnetic stripe or CVV2/CVC2/CID data after authorization for any purpose. After authorization, Company will retain only the Customer account number, name, and card expiration date if Company has a reasonable business purpose to retain such information and is otherwise in compliance with the Agreement. If there is a failure or other suspension of Company's business operations, including any Bankruptcy Proceeding, Company will not sell, transfer, or disclose Cardholder Data to third parties, and Company will (a) return this information to Elavon, or (b) provide acceptable proof of destruction of this information to Elavon.

(iii) Elavon acknowledges that Company may collect information about Company's Customers as part of a Company sales transaction (e.g., price paid, time, store identifier, SKU information) regardless of the Customer's payment type and not in connection with the Services, and that the Agreement does not restrict Company's retention, use or disclosure of such information even though some of that information may overlap with elements of Transaction Information.

(iv) Notwithstanding anything in Section 9.1, any Cardholder Data, Transaction Information, and information regarding Company, its principals, or Affiliates included on the Company Application or that Elavon otherwise obtains in connection with the Agreement may be:

(1) Used by Elavon and its Affiliates, third-party contractors, agents, and referral partners (a) to provide the Services and related functions to Company and to respond to any further application for Services, (b) for administrative purposes and to maintain Company's account pursuant to the Agreement, and (c) for Elavon's internal fraud and compliance monitoring;

(2) Disclosed and shared by Elavon for reporting purposes to credit rating agencies and to the financial institution where the DDA is maintained;

(3) Used to enhance or improve Elavon's products or services generally;

(4) Used or disclosed by Elavon in the course of any sale, reorganization or other change to Elavon's business, subject to appropriate confidentiality agreements;

(5) Collected, used and disclosed by Elavon as required by Laws (e.g., for tax reporting or in response to a subpoena); and

(6) Retained for such periods of time as Elavon requires to perform its obligations and exercise its rights under the Agreement.

Elavon may prepare, use, and share with third parties, aggregated, non-personally identifiable information derived from Transaction Information (so long as such information cannot be identified to Company) that is combined with similar information from all of or specific segments of Elavon's other customers.

10. **Assessment and Audit**

10.1. **Elavon Reports on Internal Controls**. Elavon will engage independent, qualified, external auditors (the "**Elavon Auditors**") to assess the internal controls and information security measures in place related to the Services ("**Internal Controls Assessment**"). The Internal Controls Assessment will conform with Laws, applicable Card Brand Regulations and industry standards, including generally accepted auditing standards such as the Statement on Standards for Attestation Engagements No. 18. "Attestation Standards: Clarification and Recodification" issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (the "**SSAE 18**"). The frequency of the Internal Controls Assessment will be consistent with industry standards. The frequency of the Internal Controls Assessment will be consistent with industry standards. Upon Company's written request, but not more frequently than once every 12 months, Elavon will provide a copy of its most recent SSAE 18 SOC 1 report, which will be deemed Elavon's Confidential Information.

10.2. **Company Audit**. If Elavon reasonably suspects that it is subject to a financial or reputational risk due to Company's acts or omissions, Company authorizes Elavon and its agents to perform an audit or inspection of Company's operations and records to confirm Company's compliance with the Agreement upon reasonable advance notice, during normal business hours, and at Elavon's expense (unless Elavon reasonably determines based on such audit that Company is not in compliance with the Agreement, in which case Company will bear the cost). Company will maintain complete and accurate records of its performance under the Agreement. Company will execute and deliver to Elavon all documents Elavon reasonably deems necessary to verify Company's compliance with Section 8.1.

11. **Proprietary Rights**. As between Elavon and Company, Elavon retains all right, title and interest in and to the Services, Elavon Materials, Updates, Customizations, and all Intellectual Property Rights in any of the foregoing. Company will not acquire any ownership interest or license rights (except such rights as are expressly stated in the Agreement (including the Operating Guide)) in or to the Services, Elavon Materials, Updates, Customizations, or Intellectual Property Rights in any of the foregoing. If any right, title or interest in and to any Customizations is deemed to vest in Company, Company hereby assigns and agrees to assign to Elavon all worldwide right, title, and interest in and to such Customizations, including all Intellectual Property Rights therein. All rights not otherwise stated in the Agreement are reserved to Elavon. The rights granted to Company under the Agreement are non-exclusive and nothing in the Agreement will limit the ability of Elavon to market, sell, offer for sale, license or otherwise exploit the Services, Elavon Materials, Updates, Customizations or Intellectual Property Rights in any of the foregoing to any third parties or to appoint or authorize any other person or entity to do the same.

12. **Representations and Disclaimers**

12.1. **Elavon Representations**. Elavon represents to Company the following as of the Effective Date:

(a) **Organization**. Elavon is a corporation validly existing and duly organized under the laws of the state of Georgia with all authority, qualifications, licenses and registrations necessary to conduct its business, in all jurisdictions where Elavon conducts business, in compliance with all Laws and Payment Network Regulations.

(b) **Authority and Power**. Elavon has the power to execute and perform the Agreement. The person executing the Agreement is duly authorized to bind Elavon to all provisions of the Agreement and such person is authorized to execute any document and to take any action on Elavon's behalf which may be required to carry out the Agreement. Further, the signing and performing in accordance with the Agreement will not violate any Laws or conflict with any other agreement to which Elavon is subject.

(c) **No Litigation**. There is no action, suit, or proceeding pending or, to Elavon's knowledge, threatened, which if decided adversely would impair Elavon's ability to carry on its business substantially as now conducted or which would materially and adversely affect Elavon's financial condition or operations.

12.2. **Company Representations**. Company represents to Elavon the following as of the Effective Date:

(a) **Organization and Information**. Company is validly existing and duly organized under the laws of the jurisdiction in which it was formed with all authority, qualifications, licenses and registrations necessary to conduct its business, in all jurisdictions where Company conducts business, in compliance with all Laws and Payment Network Regulations. All written information provided in the Company Application, the bid process, and enrollment forms, as applicable, and in the assumptions in Schedule A or any other document submitted to

Elavon is true and complete and properly reflects the business, financial condition and ownership of Company in all material respects.

(b) **Authority and Power**. Company has the power to execute and perform the Agreement. The person executing the Agreement is duly authorized to bind Company and each Affiliated Entity to all provisions of the Agreement as if each Affiliated Entity had executed the Agreement, and such person is authorized to execute any document and to take any action on behalf of Company that Elavon requires to carry out the Agreement. Further, the signing and performing in accordance with the Agreement will not violate any Laws or conflict with any other agreement to which Company is subject.

(c) **No Litigation**. There is no action, suit, or proceeding pending or, to Company's knowledge, threatened, which if decided adversely would impair Company's ability to carry on its business substantially as now conducted or which would materially and adversely affect Company's financial condition or operations.

(d) **Business Use**. Company is obtaining and using the Services from Elavon to facilitate lawful business Transactions between Company and its Customers, and using the DDA only for lawful business purposes.

12.3. **Disclaimer of Warranties**. EXCEPT AS OTHERWISE EXPRESSLY STATED IN THE AGREEMENT, THE SERVICES AND ELAVON MATERIALS ARE PROVIDED "AS IS," AND ELAVON DISCLAIMS ALL OTHER WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, REGARDING THE SERVICES, ELAVON MATERIALS, EQUIPMENT, SOFTWARE, DOCUMENTATION, AND COMPANY'S USE OF THIRD PARTY SERVICES, EQUIPMENT, SOFTWARE, OR DATA IN CONNECTION WITH THE SERVICES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, ACCURACY, SATISFACTORY QUALITY, TITLE, SECURITY, NONINFRINGEMENT, UNINTERRUPTED OR ERROR-FREE USE, AND FITNESS FOR A PARTICULAR PURPOSE, AND ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING, USAGE OR TRADE.

12.4. **No Viruses, Etc.** Elavon will not code or insert into any portion of the Services, and will use commercially reasonable efforts to ensure that no Service will otherwise contain, any computer virus, worm, software lock, drop dead device, Trojan-horse routine, trap door, time bomb or any other malicious codes or instructions that may be used to access, modify, delete, damage or disable the Services or Company's or any third party's software, firmware, computer system or devices.

13. Indemnification

13.1. **By Elavon**. Elavon will indemnify and defend Company, its Affiliates, and their respective employees, officers, directors, and agents against losses, damages, liabilities, fines, judgements and expenses (including all reasonable attorneys' fees) (collectively, "**Losses**") in connection with claims, actions, demands or proceedings (made or threatened) brought by a third-party ("**Claims**") arising out of (a) Elavon's breach of the Agreement; (b) Elavon's or its third party contractors' gross negligence or willful misconduct; (c) Elavon's or its third party contractors' violation of Laws or Payment Network Regulations; (d) subject to Section 13.5, Elavon's alleged infringement or other violation of a United States or Canada patent, copyright or trademark of a third party by the Services (but not Equipment) in the form delivered or Company's use thereof (an "Infringement Claim"); or (e) any personal injury or real or tangible personal property damage to the extent caused by Elavon or its third party contractors.

13.2. **By Company**. Company will indemnify and defend Elavon, its Affiliates, and their respective employees, officers, directors, and agents against Losses in connection with Claims arising out of (a) any sale of goods or services resulting in a Transaction processed under the Agreement; (b) Company's breach of the Agreement; (c) all use of any user ID and password other than by Elavon or Elavon's third-party contractors; (d) Company's or its Service Providers' gross negligence or willful misconduct; (e) Company's or its Service Providers' violation of Laws or Payment Network Regulations; or (f) any personal injury or real or tangible personal property damage to the extent caused by Company or its Service Providers.

13.3. **Exceptions**. The indemnifying party is not required to indemnify the indemnified party for Losses to the extent caused by or resulting from the negligence, gross negligence or willful misconduct of, or breach of the Agreement by, the indemnified party.

13.4. **Procedure**.

(a) If a Claim is subject to indemnification under the Agreement, the indemnified party will:

(i) Provide the other party prompt notice of the Claim (provided that any delay in notification will not relieve the indemnifying party of its obligations under this Section 13 except to the extent that the delay materially impairs its ability to fully defend the Claim);

(ii) Subject to Section 13.4(b), give the indemnifying party the right to exercise exclusive control over the preparation and defense of the Claim, including appeals, negotiations and any settlement or compromise thereof, provided that the indemnifying party will notify the indemnified party in writing of its election regarding the assumption of control of the preparation and defense of such Claim within 15 days following receipt of the indemnified party's written notice of such Claim, but, in any event, no later than 10 days before the date on which any written response to a complaint, summons, or other legal filing is due; and

(iii) Provide such assistance in connection with the defense and settlement of the Claim as the indemnifying party may reasonably request, at the indemnifying party's expense. The indemnifying party will not enter into any settlement that imposes any liability or obligation on the indemnified party, or contains any admission or acknowledgement of wrongdoing (whether in tort or otherwise), without the indemnified party's prior written consent.

(b) The indemnified party may join in the defense, with its own counsel, at its own expense.

13.5. **Infringement Claims**.

(a) Subject to Elavon's defense obligations as provided in this Section 13, indemnification for any Infringement Claim will be limited to the payment of the final award of damages assessed against Company resulting from such Infringement Claim in a final judgment by a court of competent jurisdiction, including awarded costs, or any amount in settlement or compromise authorized by Elavon in writing.

(b) If any part of the Services or the use of the Services becomes, or in Elavon's opinion is likely to become, the subject of an Infringement Claim, and as a result of such Infringement Claim Company's use of the Services may be enjoined or interfered with, then Elavon will, at its option and expense, either, and in addition to defending Company and paying the final amount of damages as provided for in this section, (i) obtain a license for Company to continue using the alleged infringing components of the Services; (ii) modify the alleged infringing components of the Services to avoid the infringement in a manner that still permits the Services to perform in all material respects in accordance with the Agreement; or (iii) replace the alleged infringing components of the Services with compatible, functionally equivalent, and non-infringing components. Elavon will use commercially reasonable efforts to accomplish the remedies identified in this section in a manner that minimizes the disruption to Company's business operations. If Elavon is not able to accomplish the above remedies within a commercially reasonable time frame and on commercially reasonable terms, Elavon may terminate the Agreement upon written notice to Company. Upon such termination, Elavon will promptly refund any fees paid for Services not performed as of the date of termination.

(c) Elavon will have no liability for any Infringement Claim to the extent caused by (i) access to or use of the Services other than as specified under the Agreement and the related Documentation, (ii) combination or use of the Services with non-Elavon products or services (whether or not provided to Company by Elavon), (iii) any hardware, devices, software, services or other resources not provided by Elavon, (iv) failure or refusal by Company to install, implement or use any Update or correction provided by Elavon, (v) modification or alteration of the Services by anyone other than Elavon without Elavon's prior written consent, or (vi) Company's goods or services.

(d) THIS SECTION 13.5 SETS FORTH THE EXCLUSIVE REMEDY OF COMPANY AND THE SOLE AND COMPLETE LIABILITY OF ELAVON WITH RESPECT TO ANY INFRINGEMENT CLAIMS.

14. **Limitation of Liability.**

14.1. **Excluded Damages**. Neither party or its agents, officers, directors, or employees will be liable to the other party for indirect, exemplary, punitive, special, or consequential damages in connection with the Agreement under any theory of law or equity (whether in contract, tort, negligence, strict liability, by statute, or otherwise).

14.2. **General Limitation**. Company acknowledges that fees for the Services are very small in relation to the funds conditionally credited to Company for Transactions, and, consequently, Elavon's willingness to provide these Services is based on the liability limitations contained in the Agreement. Therefore, except for Elavon's breach of its confidentiality obligations in Section 9.1 and Elavon's indemnification obligations in Section 13 (excluding in each case a Data Breach, which is subject to Section 14.3), Elavon's aggregate liability for any Losses, regardless of the form of action, arising out of the Agreement or Elavon's performance or non-performance of Services under any theory of law or equity (whether in contract, tort, negligence, strict liability, by statute, or otherwise), will not exceed the lesser of (a) the sum of fees paid by Company to Elavon during the three months immediately preceding the event giving rise to the Losses, exclusive of fees and variable costs incurred by Elavon to process Transactions such as interchange costs, assessments, charges, and fees imposed by a third party, and (b) fifty thousand dollars ($50,000).

14.3. **Data Breach Limitation**. Notwithstanding the limitations set forth in Section 14.2 and the disclaimers in Section 14.1, Elavon will be liable to Company for Company's documented and incurred Elavon Data Breach Losses, up to an aggregate amount not to exceed six months' average fees paid to Elavon by Company pursuant to the Agreement, exclusive of fees and variable costs incurred by Elavon to process Transactions such as interchange costs, assessments, charges, and fees imposed by a third party. NOTWITHSTANDING ANYTHING IN THE AGREEMENT TO THE CONTRARY, SECTION 9.2(c) AND THIS SECTION 14.3 SET FORTH COMPANY'S EXCLUSIVE REMEDY AND THE SOLE AND COMPLETE LIABILITY OF ELAVON WITH RESPECT TO DAMAGES, PENALTIES, COSTS, EXPENSES, OR LOSSES ARISING FROM A DATA BREACH.

15. **Purchased Equipment.** Elavon will ship to Company the Purchased Equipment described in Schedule A, any Statement of Work, additional application, setup, or order forms, or any addenda or schedules mutually agreed upon in writing by Elavon and Company for the purchase price stated thereon. Company has no right to cancel an order for Purchased Equipment. Unless otherwise agreed by the parties, Company will be responsible for all shipping costs, insurance, import and export duties and similar taxes and amounts.

16. **Third-Party Vendors.**

16.1. **Company Service Providers and Company Resources.**

(a) Company may want to use a Service Provider to assist with Transactions. Company will cause each Service Provider and applicable Company Resource to undergo testing, approval and certification by Elavon before Company uses such Service Provider or applicable Company Resource in connection with accessing or using the Services. Company will ensure that each Service Provider or applicable Company Resource maintains certification and compatibility with the Services and that each Service Provider and applicable Company Resource is fully compliant with all Laws, Payment Network Regulations, and Security Programs. Failure of Company's systems, including Company's point-of-sale system or property management system, or any Service Provider systems to maintain certification under this section or to be compatible and function with the most recent version of the Services will excuse Elavon from all liability and all of its obligations under the Agreement to the extent that Elavon's provision of the Services is impaired by such failure.

(b) Company is responsible for any violations of the Agreement that result from the acts or omissions of Company's Service Providers and any other person who, with or without Company's consent or cooperation, obtains access to Transaction Information from Company or access to systems under Company's or Service Provider's control (excluding acts or omissions to the extent attributable to Elavon's breach of the Agreement, gross negligence, or willful misconduct).

(c) Elavon is not responsible for Service Providers or for the products or services offered by Service Providers, nor is it responsible for any Transaction until Elavon receives complete data for the Transaction in the format required by Elavon.

(d) Elavon may terminate a Service Provider's access to or ability to integrate with Elavon's products, services, and systems immediately without prior notice if the termination results from:

(i) The Service Provider's breach of any Laws or Payment Network Regulations,

(ii) The requirement of any court order or Payment Network or application of Payment Network Regulations to the Services,

(iii) Elavon's reasonable determination that the Service Provider poses an unacceptable security risk to Elavon, Company or any Payment Network, or

(iv) The Service Provider's failure to maintain certification to Elavon or the expiration or termination of any agreement between Elavon and the Service Provider specific to certification to Elavon with respect to the Services.

16.2. **Liability for Direct Agreement with Third Party**. Elavon has no responsibility for, and will have no liability to Company in connection with, any hardware, software or services Company receives subject to a direct agreement (including any sale, warranty or end-user license agreement) between Company and a third party, including any Service Provider, even if Elavon collects fees or other amounts from Company with respect to such hardware, software or services (and such third party will not be considered a third party contractor of Elavon).

16.3. **Elavon Third-Party Contractors.** Elavon may use third-party contractors in connection with the performance of its obligations under the Agreement. Elavon will be responsible for the performance of its obligations hereunder notwithstanding any use of or delegation of any responsibility to any Elavon third-party contractor. Elavon is responsible for any violations of the Agreement that result from the acts or omissions of its third-party contractors.

17. **Professional Services.**

17.1. Elavon will provide the Professional Services to Company as mutually agreed upon by the parties in a Statement of Work. Each executed Statement of Work will be deemed incorporated into the Agreement and will identify in reasonable detail the Professional Services that Elavon will perform, including: (a) the specific deliverables and services to be provided by Elavon; (b) any responsibilities of the parties in addition to those in the Agreement; (c) the fees and costs that Company is responsible for under the Statement of Work; and (d) any payment terms that are different from or in addition to the payment terms in the Agreement. As between Elavon and Company, Elavon will own all improvements to the Services made by or on behalf of Company that arise out of the Professional Services.

17.2. Elavon will perform the Professional Services in a workmanlike manner. Company will notify Elavon of any failure to so perform within 10 days following the completion of the applicable Professional Services. Elavon's entire liability and Company's sole remedy for Elavon's failure to so perform will be for Elavon to, at its option, (a) use reasonable efforts to correct such failure, or (b) terminate the applicable Statement of Work and refund the portion of any fees received that corresponds to such failure to perform.

17.3. Company will (a) provide sufficient, qualified, knowledgeable personnel capable of (i) making timely decisions necessary to allow Elavon to perform the Professional Services, and (ii) participating in the project and assisting Elavon in rendering the Professional Services; (b) if applicable, provide Elavon with reasonable access to Company's facilities during Company's normal business hours and otherwise as Elavon reasonably requests to enable Elavon to perform the Professional Services; (c) provide Elavon with working space and any other services and materials which may reasonably be necessary in connection with the performance of the Professional Services; and (d) perform such other duties and tasks as Elavon reasonably requests to facilitate Elavon's performance of the Professional Services. Company acknowledges that: (x) Elavon's ability to perform the Professional Services is conditioned upon Company's timely performance of Company's obligations and (y) the performance of these Company obligations is material to Elavon's ability to commence and proceed with the Professional Services.

18. **General Provisions.**

18.1. **Entire Agreement**. The Agreement (including the Operating Guide, all appendices, schedules, attachments, exhibits, addenda and other documents incorporated by reference) and any amendment or supplement to it, constitutes the entire agreement between the parties, and all prior or other agreements, written or oral, are superseded by the Agreement. If a conflict exists between the documents comprising the Agreement, the following order of priority will apply:

(a) Any schedules mutually agreed upon by the parties, with respect to the subject matter thereof;

(b) General Terms and Conditions and the Appendices;

(c) The Operating Guide;

(d) Any signed Statement of Work; and

(e) Any Documentation provided to Company in writing by Elavon.

18.2. **Jurisdiction and Venue; Governing Law**. All matters arising out of or related to the Agreement will be governed by and construed in accordance with the laws of the state of Georgia, without giving effect to its choice-of-law rules. All performances and Transactions under the Agreement will be deemed to have occurred in the state of Georgia, and Company's entry into and performance of the Agreement will be deemed to be the transaction of business within the state of Georgia. Each party hereby submits to the exclusive jurisdiction (other than for collection actions by Elavon relating to amounts owed by Company under the Agreement) of the courts of the state of Georgia (Fulton County) or the United States District Court for the Northern District of Georgia and waives any objection to venue with respect to the actions brought in those courts.

18.3. **Exclusivity**. During the Term, Company will not enter into an agreement with any other entity for services similar to those Services Company has elected to receive from Elavon under the Agreement without Elavon's written consent.

18.4. **Construction**. The headings used in the Agreement are inserted for convenience only and will not affect the interpretation of any provision. Each provision is to be construed as if the parties drafted it jointly. The word "day" will mean "calendar day", unless specifically stated otherwise.

18.5. **Assignability**. Company will not assign the Agreement, directly, by operation of law, or by Change of Control of Company, without Elavon's prior written consent. If Company nevertheless assigns the Agreement without Elavon's consent, the Agreement will be binding on both the assignee and Company. Elavon will not transfer or assign the Agreement without Company's prior written consent, except for (i) an assignment or delegation to an Affiliate of Elavon, or (ii) an assignment or delegation to any entity into or with which Elavon will merge or consolidate, or who may acquire substantially all of Elavon's stock or assets.

18.6. **Notices**. Any written legal notice to the other party will be deemed received upon the earlier of (a) actual receipt, (b) five business days after being deposited in the United States mail, return receipt requested, or (c) two business days after being deposited with a nationally recognized overnight carrier. Such notices will be addressed to Company's address on the Company Application or the last address shown on Elavon's records, or to Elavon at 7300 Chapman Highway, Knoxville, Tennessee 37920, with a copy to Two Concourse Parkway, Suite 800, Atlanta, GA 30328, Attn: General Counsel, or such other addresses as Elavon may designate in writing.

18.7. **Bankruptcy**. Company will immediately notify Elavon of any Bankruptcy Proceeding initiated by or against Company. Company will include Elavon on the list and matrix of creditors as filed with the bankruptcy court, whether or not a claim may exist at the time of filing. Company acknowledges that the Agreement constitutes an executory contract to make a loan, or extend other debt financing or financial accommodations to, or for the benefit of Company, and, as such, cannot be assumed or assigned in the event of Company's bankruptcy. Company will be responsible to Elavon for any damages suffered by, and expenses incurred by, Elavon due to a Company Bankruptcy Proceeding.

18.8. **Telephone Recording**. For quality assurance and training purposes, Company authorizes Elavon to monitor and record customer service telephone conversations at any time, subject to Laws and applicable disclosures if required.

18.9. **Amendments**. Except as otherwise stated in the Agreement (including in Section 6.3), amendments to the Agreement will be in writing and signed by the parties. Notwithstanding the foregoing, Elavon may amend or modify the Agreement, to the extent such changes are required by changes in Laws or the Payment Network Regulations, upon written notice to Company. Elavon will inform Company of such a change in the Payment Network Regulations or Laws in a periodic statement or other written notice, and such change will become effective at least 30 days after the issuance of the statement or notice.

18.10. **Severability and Waiver**. If any provision of the Agreement is found to be invalid, illegal or otherwise unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions of the Agreement will not in any way be affected or impaired thereby. None of the failure to exercise, the delay by any party to exercise, or the partial exercise of any right under the Agreement will operate as a waiver or estoppel of such right, nor will such amend the Agreement. All waivers requested by a party must be signed by the waiving party.

18.11. **Independent Contractors**. Elavon and Company will be deemed independent contractors and no one will be considered an agent, joint venturer, or partner of the other, unless and to the extent otherwise specifically stated in the Agreement. The Agreement has been entered into solely for the benefit of the parties to the Agreement and is not intended to create an interest in any third party except where explicitly stated otherwise.

18.12. **Survival**. All of the obligations of each party that by their nature should survive termination or expiration of the Agreement in order to achieve its purposes, including Sections 3, 4.3, 4.4, 4.5, 5, 6, 8, 9, 12, 13, 14, 16, 18.2, and 18.12, will survive and remain binding upon and for the benefit of the parties.

18.13. **Counterparts; Electronic Delivery**. The Agreement may be signed in one or more counterparts, each of which will constitute an original and all of which, taken together, will constitute one and the same agreement. Signed counterparts may be delivered by fax or electronic means (e.g., .pdf documents via e-mail), and will constitute signed originals.

18.14. **Force Majeure**. Neither party will be considered in default in performance of its obligations to the extent such performance is delayed by Force Majeure affecting such party's ability to perform. A "**Force Majeure**" means an act of God, natural disaster, war, act of terrorism, civil disturbance, action by governmental entity, strike, and other cause beyond such party's reasonable control. If a Force Majeure interrupts Elavon's provision of any Services, Company will continue to pay Elavon the fees for the Services owed under the Agreement and Elavon will make all reasonable efforts to restore such Services. If the Force Majeure continues for a more than 14 days, then Company may, upon notice to Elavon, as its sole and exclusive remedy, abate payment to Elavon to the extent Services are not performed and terminate the Agreement.

18.15. **Business Continuity**. Elavon will maintain and adhere to business continuity plans that are commercially reasonable within the industry for the Services.

18.16. **Tribal Governments**. If Company qualifies as a federally recognized or acknowledged tribal government or an instrumentality thereof, then Company expressly and irrevocably provides a limited waiver of its sovereign immunity (and any defense based thereon) from any suit, action or proceeding or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, exercise of contempt powers or otherwise) brought by Elavon relative to disputes between the Elavon and Company under the Agreement in the exclusive jurisdiction set forth in Section 18.2. Without prejudice to the limited waiver of sovereign immunity provided in the Agreement, no other waiver of Company's sovereign immunity from suit may be implied from any action or document. Company waives any requirement for Elavon to exhaust tribal court remedies that might otherwise require, as a matter of law or comity, that a dispute be heard first in the tribal court of Company. The waivers and consents described in this Section 18.16 will inure to the benefit of the parties hereto. The parties will be entitled to all available legal and equitable remedies, including the right to specific performance, money damages and injunctive or declaratory relief. The waivers of sovereign immunity and of the obligation to exhaust tribal court remedies and the consents to jurisdiction contained in this Section 18.16 are irrevocable and will survive termination of the Agreement. Company covenants that it has obtained and will maintain in effect all authorizations and consents necessary to grant the waiver of sovereign immunity and the obligations to exhaust tribal court remedies contained herein.

APPENDIX 1 – DEFINITIONS

"**ACH**" means Automated Clearing House, the funds transfer system governed by the rules of NACHA. ACH allows financial institutions to clear interbank entries electronically.

"**ACH Rules**" means the NACHA Operating Rules and Operating Guidelines, which govern the interregional exchange and settlement of ACH transactions.

"**Affiliated Entity**" means (i) an Affiliate of Company, or (ii) a person or entity operating a franchise under one or more of Company's brands pursuant to a written franchise agreement with Company whereby the franchisee consistently displays external identification prominently identifying itself with Company's trademarks; in each case as listed on Schedule C or an exhibit to an applicable schedule mutually agreed upon by Company and Elavon.

"**Affiliates**" means entities affiliated under the majority ownership or control of, under common ownership or control with, or which own or control, a party.

"**Authorized Users**" means Company's employees or contractors designated by Company to access and use the Services.

"**Bankruptcy Proceeding**" means, with respect to an entity, (i) that the entity or any subsidiary of such entity will: (a) commence a voluntary case under the Bankruptcy Code of 1978, as amended, or other federal bankruptcy laws (as now or hereafter in effect); (b) file or be subject to a petition seeking to take advantage of any other applicable state or federal laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts or any other similar conservatorship or receivership proceeding instituted or administered by any regulatory agency or body; (c) consent to or fail to contest, in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other applicable laws; (d) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a trustee, receiver, custodian, liquidator, or similar entity of such entity or of all or any substantial part of its assets, domestic or foreign; (e) admit in writing its inability to pay its debts as they become due; (f) make a general assignment for the benefit of creditors; (g) make a conveyance fraudulent as to creditors under any applicable state or federal laws; or (h) take any action for the purpose of effecting any of the foregoing; or (ii) that a case or other proceeding will be commenced against the entity or any subsidiary of such entity in any court of competent jurisdiction, or through any regulatory agency or body, seeking: (x) relief under the Bankruptcy Code of 1978, as amended, or other federal bankruptcy laws (as now or hereafter in effect) or under any other applicable laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition, or adjustment of debts; or (y) the appointment of a trustee, receiver, custodian, liquidator or the like of such entity or of all or any substantial part of the assets, domestic or foreign, of such entity or any other similar conservatorship or receivership proceeding instituted or administered by any regulatory agency or body.

"**Card Brands**" means (i) Visa; (ii) Mastercard; (iii) American Express Travel Related Services Company, Inc.; (iv) Discover Network; (v) Diners Club International Ltd.; (vi) JCB International Co., Ltd.; (vii) China UnionPay Co., Ltd; and (viii) any other organization or association that hereafter contracts with Elavon to authorize, capture, and settle Transactions effected with Credit Cards issued or sponsored by such organization or association, and any successor organization or association to any of the foregoing.

"**Cardholder**" means the individual in whose name a Payment Device has been issued and any authorized user of such Payment Device.

"**Cardholder Data**" has the meaning stated in the Payment Card Industry (PCI) Data Security Standard (DSS) and Payment Application Data Security Standard (PA-DSS) Glossary of Terms, Abbreviations, and Acronyms.

"**Change of Control**" means with respect to a party, (a) a merger or consolidation of such party with or into another entity, or the merger of another party with or into such party or any other transaction or series of transactions, with the effect that the equity holders of such party immediately prior to such transaction hold 50% or less of the total voting power entitled to vote in the election of directors, managers, or trustees of the surviving entity; or (b) any person or group acquires beneficial ownership of a majority interest of the voting power or voting capital or other equity interest of such person.

"**Chargeback**" means a Transaction disputed by a Cardholder or Issuer pursuant to the Payment Network Regulations.

"**Company**" has the definition set out in the first page of the Agreement.

"**Company Application**" means the Company Application attached as Schedule B and any additional document containing information regarding Company's business that is submitted to Elavon in connection with Company's request for Services, including documents submitted by Company as a part of the bid process, if applicable.

"**Company Resources**" means all equipment, communications devices, databases, services, systems and other resources that Company maintains or operates in Company's or its third party hosting provider's locations and which enable Company to access and use the Services.

"**Confidential Information**" means all data and information, regardless of the form or media, relating to the business of the Disclosing Party of which the Receiving Party becomes aware as a consequence of, or through, the performance of its obligations under the Agreement, which has value to the Disclosing Party and is not generally known by its competitors, which is reasonably identified as confidential at the time of disclosure or which, under the circumstances surrounding disclosure, ought to be reasonably considered as confidential, including technical information, drawings, engineering data, performance specifications, cost and price information (except as provided otherwise in the Agreement), and other information, data and reports, and the terms and conditions of the Agreement. Confidential Information does not include any data or information which (i) is already known to the Receiving Party prior to disclosure by the Disclosing Party; (ii) has become generally known to the public through no wrongful act of the Receiving Party; (iii) has been rightfully received by the Receiving Party from a third party without restriction on disclosure and without, to the knowledge of the Receiving Party, a breach of an obligation of confidentiality running directly or indirectly to the other party; or (iv) is independently developed by the Receiving Party without use, directly or indirectly, of the Confidential Information received from the Disclosing Party. Cardholder Data and Transaction Information are not Confidential Information under this definition, and are addressed in Section 9.2(d).

"**Credit Card**" means a card or device bearing the symbol of any Card Brand and associated with a revolving line of credit that can be used to purchase goods and services from Company or to pay an amount due to Company.

"**Customer**" means a client of Company who elects to conduct a payment Transaction with Company through presentation of a Payment Device (including a Cardholder).

"**Customizations**" means any works of authorship, work product, and any invention, process, method, development, design, schematic or technical information, whether patentable or not, including documentation, software or enhancements, improvements, alterations, or derivatives of the Services developed by Elavon, either alone or jointly with others, in connection with the Agreement.

"**Data Breach**" means unauthorized access to, use, disclosure or exfiltration of any Cardholder Data or Transaction Information provided by Company and received by Elavon in connection with Company's use of the Services under the Agreement.

"**DDA (Demand Deposit Account)**" means the commercial checking account at an ACH participating financial institution designated by Company to facilitate payment for Transactions, Chargebacks, returns, adjustments, fees, fines, penalties, assessments and charges from the Payment Networks, and other payments due under the Agreement.

"**Debit Card**" means a card or device bearing the symbols of one or more EFT Networks or Card Brands, which may be used to purchase goods and services from Company or to pay an amount due to Company by an electronic debit to the Cardholder's designated deposit account. A "Debit Card" includes (i) a card or device that bears the symbol of a Card Brand and may be used to conduct signature-based, offline debit Transactions; and (ii) a card or device that bears the symbol of an EFT Network and can be used to conduct PIN-based, online debit Transactions.

"**Disclosing Party**" means the party providing the Confidential Information to the other party directly or indirectly (via one or more third parties acting on behalf of and at the direction of the party providing its Confidential Information).

"**Discover**" means DFS Services LLC.

"**Discover Network**" means the payment network operated and maintained by Discover.

"**Documentation**" means the Elavon standard written description for the Services, as applicable, that is delivered to Company under the Agreement, including user manuals and best practices guides, as may be amended by Elavon from time to time, but not including marketing materials, proposals, demonstrations or other promotional information.

"**Early Termination Fee**" means an amount equal to the sum of: (i) the greater of (A) the total fees paid by Company during the 12 months immediately prior to termination, and (B) the total fees that would be payable by Company during the 12 months immediately following termination (based, with respect to any per-Transaction fees, on Projected Monthly Transaction Volume), as reflected on Schedule A; and (ii) any up-front incentives afforded to Company.

"**EBT Card**" means a card used for electronic benefits transfers.

"**ECS (Electronic Check Services)**" means the service offering by Elavon pursuant to which Transactions effected via an ACH Payment Device are presented for clearing and settlement by or through an ECS Association.

"**ECS Association**" means NACHA and any regional ACH association or network, the Federal Reserve (in its processing of ACH entries or demand drafts or other legal replacements or substitutes for a paper check, including under the Check Clearing for the 21st Century Act or under applicable provisions of the Uniform Commercial Code), and any other organization or association Elavon uses in connection with the ECS that is hereafter designated as an ECS Association by Elavon from time to time.

"**EFT Networks**" means (i) Interlink Network Inc., Maestro U.S.A., Inc., STAR Networks, Inc., NYCE Payments Network, LLC, PULSE Network LLC, ACCEL/Exchange Network, Alaska Option Services Corporation, Armed Forces Financial Network, Credit Union 24, Inc., NETS, Inc., and SHAZAM, Inc.; and (ii) any other organization or association that hereafter authorizes Elavon or a third party designated by Company to authorize, capture, and settle Transactions effected with Debit Cards, and any successor organization or association to any of the foregoing.

"**Effective Date**" means the date stated in Elavon's signature block on the signature page of the Agreement.

"**Elavon**" means Elavon, Inc., a Georgia corporation. Elavon is a registered member service provider of each Member. Elavon may also be referred to as "Servicer" in the Agreement, the Operating Guide or other documents provided to Company in connection with the Services.

"**Elavon Data Breach**" means a Data Breach that (i) originated within data operating systems controlled by Elavon, (ii) occurred due to a breach of the Agreement by Elavon, (iii) was not attributable to any act or omission of Company or its Service Providers, and (iv) does not relate to any Company provided data in user defined fields not required by Elavon or used to perform the Services.

"**Elavon Data Breach Losses**" means (i) any fine, penalty, assessment, or charge levied by any Payment Network or regulatory authority against Company, and paid by Company, due to an Elavon Data Breach; provided that, prior to any Payment Network or regulatory authority's finalization of any fine, penalty, assessment, or charge for which Company will seek recovery from Elavon, Company obtains for Elavon the opportunity to discuss and attempt to negotiate such fine, penalty, assessment or charge with the applicable Payment Network or regulatory authority, (ii) amounts paid by Company to third parties to reimburse them for their direct losses resulting from or attributable to an Elavon Data Breach, to the extent Company is required by Laws (including by a statutory or contractual obligation or court order) to make such payments (excluding amounts paid under clause (i) above), and (iii) Company's direct costs incurred in providing 12 months of credit monitoring to Cardholders affected by an Elavon Data Breach involving unauthorized access to unencrypted full primary account numbers (PANs) or social security numbers.

"**Elavon Materials**" means the specifications, documentation (including Documentation), application programing interfaces (APIs) and other interfaces, nonpublic or proprietary data import routines, sample code and materials provided to Company to enable Company to perform its obligations or exercise its rights under the Agreement, including integration to the Services.

"**Electronic Gift Card (EGC)**" means a special stored value card provided by or on behalf of Company that is redeemable for merchandise, services or other Transactions.

"**Equipment**" means Purchased Equipment and other devices, equipment and hardware provided to Company under the Agreement.

"**Force Majeure**" means has the meaning stated in Section 18.14.

"**Gateway Services**" means the hosted gateway services provided by Elavon, as further described in the Operating Guide.

"**Initial Term**" has the meaning stated in Schedule A.

"**Intellectual Property Rights**" means worldwide patents, trade secrets, copyrights, trademarks, service marks, trade names, and all other intellectual property rights and proprietary rights, including all rights or causes of action for infringement or misappropriation of any of the foregoing.

"**Internal Controls Assessment**" has the meaning stated in Section 10.1.

"**Issuer**" means the financial institution or other entity that issued the Credit Card or Debit Card to the Cardholder.

"**Laws**" means all applicable local, state, and federal statutes, regulations, ordinances, rules, and other binding law in effect from time to time.

"**Mastercard**" means MasterCard International Incorporated.

"**Member**" means the sponsoring Member designated on the Company Application or on a particular schedule, as applicable. Elavon may change any Member at any time and will provide Company notice of the change.

"**NACHA**" means the National Automated Clearing House Association.

"**Operating Guide**" means Elavon's Operating Guide (formerly the "Merchant Operating Guide" or "MOG"), located at www.mypaymentsinsider.com and www.merchantconnect.com (or such other website that Elavon may specify), that prescribes rules and procedures governing Transactions and Company's use of the Services. Elavon may amend the Operating Guide from time to time, which amendments will be effective upon notice to Company.

"**Payment Device**" means any device or method used for the purpose of obtaining credit or debiting a designated account including a Credit Card, Debit Card, and any other financial transaction device or method, including an Electronic Gift Card, check (whether converted into electronic form or used as a source document for an electronic fund transfer), EBT Card, stored value card, "smart" card, or other device created to be used for the purpose of obtaining credit or debiting a designated account.

"**Payment Network**" means any Card Brand, EFT Network, ECS Association or automated clearing house association, governmental agency or authority, and any other entity or association that issues or sponsors a Payment Device or PayPal Payment Device (as defined in the Operating Guide) or operates a network on which a Payment Device is processed.

"**Payment Network Regulations**" means the rules, operating regulations, guidelines, specifications and related or similar requirements of any Payment Network.

"**PCI-DSS**" means the Payment Card Industry Data Security Standards.

"**POS Device**" means a terminal, software or other point-of-sale device at a Company location that conforms to the requirements established from time to time by Elavon and the applicable Payment Network.

"**Processing Services**" means Services other than Gateway Services, SAFE-T Services, and Professional Services.

"**Professional Services**" means the work Elavon performs for Company in connection with the installation or implementation of the Services, as more fully described in a Statement of Work.

"**Projected Monthly Transaction Volume**" means the projected monthly Transaction volume stated in Schedule A.

"**Purchased Equipment**" means the devices, equipment and hardware purchased by Company from Elavon under the terms of the Agreement.

"**Receiving Party**" means the party receiving Confidential Information from the other party directly or indirectly (via one or more third parties acting on behalf of and at the direction of the party providing its Confidential Information).

"**Renewal Term**" has the meaning stated in Schedule A.

"**Reserve Account**" means the ledger account established by Elavon on its books and records reflecting a contingent payment obligation from Elavon to Company.

"**SAFE-T Services**" means the integrated security services provided by Elavon, as further described in Schedule E.

"**Security Programs**" means the PCI-DSS, including the Cardholder Information Security Program (CISP) of Visa, the Site Data Protection Program (SDP) of Mastercard, the Data Security DISC Program and the PCI-DSS regulations of Discover Network, and the security programs of any other Payment Network, and any modifications to, or replacements of, such programs that may occur from time to time.

"**Service Provider**" means any entity that stores, processes, transmits or accesses Cardholder Data or Transaction Information on behalf of Company or that provides software to Company for transaction processing, storage, or transmission, except to the extent such services are performed by the entity in its capacity as a third-party contractor of Elavon performing Elavon's obligations under the Agreement. Elavon third-party contractors are not Service Providers.

"**Services**" means the services Elavon provides to Company pursuant to the Agreement.

"**Statement of Work**" means a statement of work for Professional Services that references the Agreement and is executed by the parties.

"**Term**" means the Initial Term and any Renewal Term.

"**Transaction**" means any action between Company and a Cardholder or Payment Network that results in transmission of Cardholder Data or Transaction Information (e.g. payment, purchase, refund, return, chargeback, authorization request, settlement submission, transaction inquiry, decryption, conversion to and from tokens).

"**Transaction Information**" means any data or information resulting from a Transaction. Transaction Information includes payment processing-related transactional information that may be collected or stored by Elavon, including the price paid for products or services, date, time, approval, unique transaction number, store identifier, and Customer bank information relating to a Transaction.

"**Transaction Receipt**" means the paper or electronic record evidencing the purchase of goods or services from, or payment to, a Company by a Cardholder using a Payment Device.

"**Transition Period**" has the meaning stated in Section 4.5.

"**Updates**" means all updates, revisions, patches, fixes, new releases, and other improvements or changes to any Services provided to Company under the Agreement.

"**United States**" means the United States of America.

"**Visa**" means Visa U.S.A., Inc.

SCHEDULE A

FEES

[Separately provided]

SCHEDULE B

COMPANY APPLICATION

[Separately provided]

SCHEDULE C

AFFILIATED ENTITIES

Check one:

☐ Company named on page 1 only, and all locations will operate under Tax ID Number ______________________.

☐ Company named on page 1, with Tax ID Number _____________________ and the following Affiliates or franchisees (a separate Form W-9 or Form W-8BEN, as applicable, must be submitted for each entity identified below):

Name	Tax ID Number
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________
_______________________________________	___________________________

COMPANY, on behalf of itself and each of the Affiliated Entities identified above:

By:________________________________

Name:______________________________

Title:_______________________________

ELAVON, INC.

By:________________________________

Name:______________________________

Title:_______________________________

Date:_______________________________

(Schedule C "Effective Date")

Company Application (Large Relationship)

Services Available to Companies Operating in Certain Jurisdictions *(check ONE)*		
☐ Services in USA – Schedule B	☐ Services in Canada – Exhibit 3 to Schedule F	☐ Services in Puerto Rico – Exhibit 3 to Schedule G

Company Information

Legal Name (as described in the agreement-individual DBA's will be obtained during implementation:			
Contact Name:			
Address *(no PO Box)*:			
Address 2:			◆DBA Address Type:
◆City:	◆State/Province:		◆Zip/Postal Code:
◆Country of Primary Business Operations:			Phone #:
◆Business Country of Formation:			DBA Fax #:
◆Incorporation data: State/Province Year			Fed/GST Tax ID:
Primary Website:			
CIP Exemption:			
Beneficial Owner Exemption:			

Other Address *(if different than above)*

☐ Mailing ☐ Shipping ☐ *See also Special Instructions* *(more than one option may be selected)*

Location Name:		Phone #:	
Contact:		Fax #:	
Address:	City:	State:	Zip Code:

Principal 1 Information *(include all additional owners with 25% or greater ownership)*

◆☐ Beneficial Owner: Percentage of Ownership ______%		☐ Authorized Signer	☐ Sole Proprietor
◆Additional Beneficial Owners?	☐ Responsible Party	Title:	If other:
◆First Name:	▸Middle Name:	◆Last Name:	
◆Address (No PO BOX):			◆Address Type:
◆City:	◆State/Province:	◆Zip/Postal Code:	◆Country:
◆DOB:	◆US Person:		▸Phone #:

Previous Address if Current Address is less than 2 Years

▸Home Address:	▸City:	▸State:	▸Zip Code:
▸ID Type:	▸ID #:	▸If Other- ID Type:	
▸If Other ID #:	▸If Other ID - Country of Issuance:	▸If Other Government Issued - ID Name:	

Individual Validation Documentation

◆Identification Document:	▸Issuing Country (if applicable):	▸Issuing State (if applicable):
◆Document #:	▸Issue Date:	▸Expiry Date:

Principal address matches the address on the Primary Identification Document above unless otherwise noted. ☐ Alternate Document included if no address match

Principal 2 Information *(include all additional owners with 25% or greater ownership)*

◆☐ Beneficial Owner: Percentage of Ownership ______%		☐ Authorized Signer	☐ Sole Proprietor
☐ Responsible Party		Title:	If other:
◆First Name:	▸Middle Name:	◆Last Name:	
◆Address (No PO BOX):			◆Address Type:
◆City:	◆State/Province:	◆Zip/Postal Code:	◆Country:
◆DOB:	◆US Person:		▸Phone #:

Previous Address if Current Address is less than 2 Years

▸Home Address:	▸City:	▸State:	▸Zip Code:
▸ID Type:	▸ID #:	▸If Other- ID Type:	
▸If Other ID #:	▸If Other ID - Country of Issuance:	▸If Other Government Issued - ID Name:	

Individual Validation Documentation

◆Identification Document:	▸Issuing Country (if applicable):	▸Issuing State (if applicable):
◆Document #:	▸Issue Date:	▸Expiry Date:

Principal address matches the address on the Primary Identification Document above unless otherwise noted. ☐ Alternate Document included if no address match

PRINCIPAL 3 INFORMATION *(INCLUDE ALL ADDITIONAL OWNERS WITH 25% OR GREATER OWNERSHIP)*

◆☐ BENEFICIAL OWNER: PERCENTAGE OF OWNERSHIP ______ %	☐ AUTHORIZED SIGNER	☐ SOLE PROPRIETOR
☐ RESPONSIBLE PARTY	TITLE:	IF OTHER:
◆FIRST NAME:	▸MIDDLE NAME:	◆LAST NAME:
◆ADDRESS (NO PO BOX):		◆ADDRESS TYPE:
◆CITY:	◆STATE/PROVINCE: ◆ZIP/POSTAL CODE:	◆COUNTRY:
◆DOB:	◆US PERSON:	▸PHONE #:

PREVIOUS ADDRESS IF CURRENT ADDRESS IS LESS THAN 2 YEARS

▸HOME ADDRESS:	▸CITY:	▸STATE:	▸ZIP CODE:
▸ID TYPE:	▸ID #:	▸IF OTHER- ID TYPE:	
▸IF OTHER ID #:	▸IF OTHER ID - COUNTRY OF ISSUANCE:	▸IF OTHER GOVERNMENT ISSUED - ID NAME:	

INDIVIDUAL VALIDATION DOCUMENTATION

◆IDENTIFICATION DOCUMENT:	▸ISSUING COUNTRY (IF APPLICABLE):	▸ISSUING STATE (IF APPLICABLE):
◆DOCUMENT #:	▸ISSUE DATE:	▸EXPIRY DATE:

PRINCIPAL ADDRESS MATCHES THE ADDRESS ON THE PRIMARY IDENTIFICATION DOCUMENT ABOVE UNLESS OTHERWISE NOTED. ☐ ALTERNATE DOCUMENT INCLUDED IF NO ADDRESS MATCH

NON INDIVIDUAL TRUSTEE

◆BUSINESS NAME:	◆CONTACT NAME:	
◆PERCENTAGE OF OWNERSHIP: %	▸CONTACT PHONE:	
◆ADDRESS TYPE: ◆ADDRESS:	▸CONTACT EMAIL:	
◆CITY:	◆STATE:	◆ZIP:

RELATIONSHIP PARAMETERS

WHEN ANY AFFILIATED ENTITIES WILL BE COVERED BY THE AGREEMENT, ENTER THE ENTITY NAME(S) AND FEDERAL TAX ID(S) ON SCHEDULE C

MEMBER:
- ☐ ELAVON, INC.
- ☐ U.S. BANK NATIONAL ASSOCIATION
- ☐ KEY BANK, NATIONAL ASSOCIATION (IF SELECTED, THEN ALL REFERENCES TO ELAVON IN THE AGREEMENT SHALL MEAN KEY MERCHANT SERVICES, LLC, A JOINT VENTURE BETWEEN KEY BANK, NATIONAL ASSOCIATION AND ELAVON, INC.)

BUSINESS/ ORGANIZATION TYPE:

☐ PUBLIC CORPORATION	☐ CLOSELY HELD CORP	☐ SUB S CORP	☐ SOLE PROPRIETOR
☐ GENERAL PARTNERSHIP	☐ LIMITED PARTNERSHIP	☐ LIMITED LIABILITY COMPANY	☐ OTHER (ASSN/ESTATE/TRUST)
☐ GOVERNMENT	☐ TRANSIT AUTHORITY	☐ UTILITY	☐ PUBLIC/PRIVATE CONSORTIUM
☐ COLLEGE/UNIVERSITY	☐ HEALTH CARE	☐ RELIGIOUS	☐ NON-PROFIT CHARITABLE OR SOCIAL

FINANCIALS (NOTATION REQUIRED)

THE FINANCIAL STATEMENTS PROVIDED BY COMPANY MUST BE IN THE NAME OF THE ENTITY IDENTIFIED ABOVE. IF THE FINANCIAL STATEMENTS ARE IN THE NAME OF ANOTHER ENTITY, THEN ADDITIONAL UNDERWRITING REQUIREMENTS WILL APPLY

- ☐ PUBLICLY TRADED (SYMBOL)
- ☐ GOVERNMENT/INSTITUTIONAL ORGANIZATION (IF ONLINE, PROVIDE WEBSITE)
- ☐ PRIVATE (3RD PARTY AUDITED REQUIRED)
- ☐ BANK PROVIDED

IRS FORMS:
- ☐ SUBSTITUTE W-9 (REQUIRED FOR U.S. ENTITIES
- ☐ SUBSTITUTE W-*BEN (REQUIRED FOR NON-U.S. ENTITIES)

DESCRIPTION OF PRODUCT/SERVICES – PLEASE BE SPECIFIC:

PROCESSING ENVIRONMENT(S):
TOTAL MUST EQUAL 100%

RETAIL 0 % RESTAURANT 0 % LODGING 0 % PAY AT PUMP 0 %
MAIL ORDER 0 % TELEPHONE ORDER 0 % SUPERMARKET 0 %
INTERNET 0 % TRANSACTIONS ACCEPTED THROUGH A WEBSITE REQUIRES THAT SPECIFIC SECURITY/POLICY REQUIREMENTS BE MET IN ORDER TO PROCESS

CARD TYPES:
COMPANY MUST DETERMINE IN ACCORDANCE WITH THE PAYMENT NETWORK REGULATIONS WHICH TYPE(S) OF CREDIT CARDS AND DEBIT CARDS IT WILL AGREE TO ACCEPT AS A FORM OF PAYMENT FROM ITS CUSTOMERS. THE CARD TYPES INCLUDE VISA CREDIT, VISA DEBIT, MASTERCARD CREDIT, MASTERCARD DEBIT, AND DISCOVER (JCB, DI, UP)

NETWORK: ☐ ELAVON ☐ OTHER:

POINT OF SALE SOLUTION(S): (MARK ALL THAT APPLY) ☐ TERMINALS: ☐ VAR: ☐ ELAVON SOFTWARE: ELAVON CERTIFIED ☐ CERT PENDING ☐

ADVANCED DEPOSIT PROGRAM ELECTION
THIS IS LIMITED TO HOSPITALITY MCC'S)

I ☐ DO ☐ DO NOT **ELECT TO PARTICIPATE IN THE ADVANCE DEPOSIT SERVICE PROGRAM**

BANK ACCOUNT *(CHECKING ACCOUNTS ONLY)- SUBMISSION OF BANK DOCUMENTATION IS REQUIRED FOR ALL DDAS SUBMITTED, AND WE MAY CONFIRM ANY DATA DIRECTLY WITH THE BANK*

PRIMARY BANK: (LOCATIONS MAY BE DIFFERENT AND WILL BE CAPTURED AT THE MID LEVEL)	PRIMARY BANK CONTACT NAME:	PRIMARY BANK CONTACT PHONE:
PRIMARY BANK ABA/ROUTING #:	PRIMARY BANK DDA ACCOUNT #:	
DDA DOCUMENTATION (ONE REQUIRED): ☐ BANK LETTER / ☐ VOIDED CHECK	☐ ACH DEBIT BLOCKING	

Processing Services Available to Companies Generally *(check desired processing services)*

- ☐ Credit Card Services (check all that apply)
  - ☐ Visa
  - ☐ MasterCard
  - ☐ Discover
  - ☐ American Express Opt Blue
- ☐ PINLess Debit Services
- ☐ PIN Debit Services
- ☐ Bill Payment (Pinless Debit) Services
- ☐ Dynamic Currency Conversion (DCC) Services
- ☐ Multi-Currency Pricing (MCP) Services
- ☐ Wireless Services
- ☐ Contactless Services
- ☐ Electronic Gift Card Services
  - ☐ Web-Suite Services
- ☐ Paycentric Bill Pay Services
- ☐ Internet PIN-Based Debit Card Services

<u>*Services that allows Company to process :*</u>

- ☐ Domestic Internet PIN-Based Card Transactions
  - ☐ China Union Pay

(If checked, Company may submit International PIN-Based Credit card Transactions and International Debit Card Transactions for processing over the China UnionPay Co., Ltd Network)

☐ Other: ☐ Other:

If additional International Networks are elected, attach supplemental International Networks election page

- ☐ Payment Navigator Services (Attach Business Associate Agreement)
  - ☐ Healthcare Administration Services
    - ☐ Eligibility
    - ☐ Patient Payment Estimates
  - ☐ Statements
    - ☐ Patient Statement
    - ☐ Electronic Bill Presentment
    - ☐ One Bill
- ☐ MedEpay
- ☐ Converge Services
  - ☐ Converge Tokenization Services
- ☐ Petroleum Services

<u>*Petroleum Services Available to Qualified Companies (check desired Petroleum Services):*</u>

- ☐ Voyager Card Acceptance
- ☐ SmartLink Services
- ☐ Wright Express Card Acceptance *(separate Wright Express Charge Card Acceptance Agreement required)*

- ☐ Electronic Check Services
- ☐ Payment Facilitator (Schedule K Required)
- ☐ 3D Secure

Processing Services Available to Companies Operating in Certain Categories *(check desired services)*

- ☐ EBT Services
- ☐ Hospitality Services
- ☐ No Signature Required Program Service
- ☐ Payment Facilitator Services
- ☐ Services for Government Entities and Institutions *(Elavon Fee Collection Model – check one)*
  - ☐ Direct Debit
  - ☐ Invoice (when available)

Non-Processing Services Available to Companies Generally *(check desired services)*

- ☐ Hosted Gateway Services
- ☐ SAFE-T Services
- ☐ Safe-T Instant Tokenization Services

FEE PROGRAMS

CONVENIENCE FEE SERVICES PROGRAMS

CONVENIENCE FEE FUNDING MODEL (CHECK ONE):

☐ COMPANY MANAGED CONVENIENCE FEE[1]
☐ ELAVON MANAGED CONVENIENCE FEE[2]
☐ PARTNER MANAGED CONVENIENCE FEE[3]

PAYMENT TRANSACTION TYPES
☐ CREDIT (CHECK ALL THAT APPLY):

☐ VISA ☐ MASTERCARD ☐ DISCOVER ☐ AMERICAN EXPRESS PS

☐ SIGNATURE DEBIT (CHECK ALL THAT APPLY):

☐ VISA ☐ MASTERCARD ☐ DISCOVER

☐ PIN-BASED DEBIT ☐ PINLESS DEBIT

☐ ACH (VIA ELECTRONIC CHECK SERVICES)

ELAVON PRODUCT SUPPORTING ELAVON-MANAGED CONVENIENCE FEE ASSESSMENT TO BE USED BY COMPANY (CHECK ALL THAT APPLY):

☐ PAYCENTRIC BILL PAY SERVICES ***(ADDITIONAL ENROLLMENT FORM REQUIRED)*** :

☐ COMPANY PROPRIETARY SOLUTION OR VALUE-ADDED SERVICER

☐ OTHER:

CONVENIENCE FEE PRICING:

CONVENIENCE FLAT FEE AMOUNT: $

CONVENIENCE FEE %: (MASTERCARD, DISCOVER & ACH PROGRAMS ONLY)

IMPLEMENTATION FEE (IF APPLICABLE): $

CREDIT CARD SURCHARGE (CHECK ONE):

(SEE SCHEDULE A FOR RATES)

☐ COMPANY MANAGED SURCHARGE[8]

☐ ELAVON MANAGED SURCHARGE[9]

SURCHARGE PROGRAM:

SURCHARGE AMOUNT:

MONETARY PRICING PROGRAM:

GPISF SERVICES PROGRAMS

(CHECK ALL THAT APPLY, BUT ONLY IF COMPANY ELECTS GPISF ASSESSMENTS:
☐ COMPANY-MANAGED SERVICE FEE[4]
☐ COMPANY-MANAGED WITH ELAVON POS DEVICES/SERVICE FEE TERMINALS[5]
☐ ELAVON-MANAGED SERVICE FEE[6]
☐ PARTNER MANAGED SERVICE FEE[7]

CARD ACCEPTANCE (CHECK ALL THAT APPLY):
☐ POINT OF SALE ☐ INTERNET
☐ IVR ☐ OTHER:

GPISF SERVICES PROGRAMS (CHECK ALL THAT APPLY, BUT ONLY IF COMPANY ELECTS GPISF ASSESSMENTS:
☐ MASTERCARD GOVERNMENT AND EDUCATION PAYMENT PROGRAM
☐ VISA GOVERNMENT AND EDUCATION PAYMENT PROGRAM
☐ AMERICAN EXPRESS GOVERNMENT AND EDUCATION PAYMENT PROGRAM
☐ DISCOVER GOVERNMENT AND EDUCATION PAYMENT PROGRAM

TRANSACTION TYPES:
☐ FEDERAL INCOME TAX ☐ BUSINESS TAX
☐ GOVERNMENT FEES ☐ OTHER TAX
☐ STATE INCOME TAX ☐ TUITION
☐ REAL ESTATE PROPERTY TAX ☐ OTHER EDUCATION EXPENSES

PAYMENT TYPES FOR GPISF ASSESSMENT (NOT ALL PAYMENT TYPES ARE SUPPORTED FOR ALL PROGRAMS)(CHECK ALL THAT APPLY, BUT ONLY IF COMPANY ELECTS GPISF ASSESSMENT):
☐ CREDIT – (CHECK ALL THAT APPLY):
☐ VISA – ELIGIBLE MCCS: 8211, 8220, 8244, 8249, 9211, 9222, 9311, 9399
☐ MASTERCARD – ELIGIBLE MCCS: 8211, 8220, 8299, 9211, 9222, 9223, 9311, 9399,9402
☐ DISCOVER (AVAILABLE IF ELAVON-ACQUIRED)
☐ AMERICAN EXPRESS PS – ELIGIBLE MCCS: 8211, 8220, 8244, 8249, 9211, 9311, 9399, 9222

☐ SIGNATURE DEBIT – (CHECK ALL THAT APPLY)
☐ VISA – ELIGIBLE MCCS: 8211, 8220, 8244, 8249, 9211, 9222, 9311, 9399
☐ MASTERCARD – ELIGIBLE MCCS: 8211, 8220, 8299, 9211, 9222, 9223, 9311, 9399,9402
☐ DISCOVER (AVAILABLE IF ELAVON-ACQUIRED)

☐ ACH (VIA ELECTRONIC CHECK SERVICES)

ELAVON PRODUCT SUPPORTING GPISF ASSESSMENT TO BE USED BY COMPANY (CHECK ALL THAT APPLY):
☐ PAYCENTRIC BILL PAY SERVICES ***(ADDITIONAL ENROLLMENT FORM REQUIRED)***:
☐ SERVICE FEE TERMINAL
☐ COMPANY PROPRIETARY SOLUTION OR VALUE-ADDED SERVICER
☐ SAFE-T SERVICES ***(ADDITIONAL ENROLLMENT FORM REQUIRED)***
☐ OTHER:

GPISF PRICING:

CREDIT CARD SERVICE FEE: % OR $
SIGNATURE DEBIT SERVICE FEE: % OR $
ACH (VIA ELECTRONIC CHECK SERVICES): $
IMPLEMENTATION FEE (IF APPLICABLE): $

COMPANY REPRESENTATIONS AND CERTIFICATIONS

By signing below, the applicant company ("Company") and its authorized representative represent and warrant to Elavon, Inc. and Member that (i) all information provided in or with this company application ("Company Application") is true and complete and properly reflects the business and financial condition of Company, and (ii) the person signing this Company Application is duly authorized to bind Company to all provisions of the Agreement. In addition, by signing this Company Application, you hereby certify that to the best of your knowledge, the information provided about you, the name and address provided for the above named Company, and the information provided about the beneficial owner(s) and/or the individual with control over the above named Company is complete and accurate.

PRINTED NAME:	TITLE:
SIGNATURE: X	DATE:

[1] "Company-Managed" Convenience Fee means that Company establishes the amount of the Convenience Fee (subject to the requirements of the Agreement and applicable Payment Network Regulations) and retains the Convenience Fee. Company pays Elavon the per transaction fees as set forth in this application to the Agreement for all Convenience Fee Transactions.
[2] "Elavon- Managed" Convenience Fee means that Elavon establishes the amount of the Convenience Fee and retains the Convenience Fee in lieu of Company's obligation to pay Elavon the per transaction fees as set forth in this application to the Agreement for Convenience Fee Transactions. The Convenience Fee is assessed by Elavon and included in the overall transaction amount charged to the Cardholder.
[3] "Partner- Managed" Convenience Fee means that Sales Partner (a Sales Partner is a registered third party sales organization selling Elavon services) establishes the amount of the Convenience Fee (subject to the requirements of the Agreement and applicable Payment Network Regulations) as set forth in this application to the Agreement. Elavon will retain the Convenience Fee in lieu of Company's obligation to pay Elavon the per transaction fees as set forth in this application to the Agreement. The Convenience Fee is still charged by Company and included in the overall transaction amount charged to the Cardholder.
[4] "Company-Managed" Service Fee means that Company establishes the amount of the GPISF, programs its POS Devices to assess the GPISF, and retains the GPISF (subject to the requirements of the Agreement and applicable Payment Network Regulations). Company pays Elavon the per transaction fees as set forth in this application for all GPISF Transactions.
[5] "Company-Managed with Elavon POS Devices/Service Fee Terminals" means that Elavon programs the POS Devices to assess the GPISF established by Company and Company retains the GPISF. Company pays Elavon the per transaction fees as set forth in this application to the Agreement for all GPISF Transactions.
[6] "Elavon-Managed" Service Fee means that Elavon establishes the amount of the GPISF, and Elavon charges and retains the GPISF in lieu of Company's obligation to pay Elavon the per transaction fees and Safe-T Services fees (if Safe-T is chosen above) for GPISF Transactions.
[7] "Partner- Managed" Service Fee means that Sales Partner (a Sales Partner is a registered third party sales organization selling Elavon services) establishes the amount of the GPISF (subject to the requirements of the Agreement and applicable Payment Network Regulations) as set forth in this application to the Agreement. Elavon will retain the GPISF in lieu of Company's obligation to pay Elavon the per transaction fees and Safe-T Services fees (if Safe-T is chosen above) for GPISF Transactions.
[8] "Company-Managed" Surcharge means that Company establishes the amount of the Surcharge (subject to the requirements of the Agreement and applicable Payment Network Regulations) and retains such amount. Company pays Elavon the per-transaction fees as set forth in this application to the Agreement for all Surcharge Transactions.
[9] "Elavon-Managed" Surcharge means that Elavon establishes the amount of the Surcharge and retains such amount in lieu of Company's obligation to pay Elavon the per-transaction fees as set forth in this application to the Agreement for Surcharge Transactions. The Surcharge amount is assessed by Elavon and included in the overall transaction amount charged to the Cardholder.

SCHEDULE C

AFFILIATED ENTITIES

Check one:

☐ Company named on page 1 only, and all locations will operate under Tax ID Number ________________________.

☐ Company named on page 1, with Tax ID Number _______________________ and the following Affiliates or franchisees (a separate Form W-9 or Form W-8BEN, as applicable, must be submitted for each entity identified below):

Name	Tax ID Number
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________
____	______________________________

______________________________________,
on behalf of itself and each of the Affiliated Entities identified above ("Company"):

By:__________________________________

Name:________________________________

Title:_______________________________

ELAVON, INC.

By:__________________________________

Name:________________________________

Title:_______________________________

Date:________________________________

(Schedule C "**Effective Date**")

SCHEDULE D

PROCESSING SERVICES TERMS

This Schedule D sets out additional terms (and modifications to terms in the General Terms and Conditions) that are applicable if Company is receiving certain Processing Services.

1. **Processing Services.** This Section 1 of Schedule D applies if Company is receiving Processing Services.

1.1. **Company Compliance**. Company will not submit Transactions for processing to Elavon for any businesses, materially different products, or methods of selling other than those stated in the Company Application without Elavon's prior written consent.

1.2. **Reserve Account**.

(a) **Establishment**. If a Reserve Event occurs, Elavon may establish a Reserve Account in the Reserve Amount to provide security and a source of funds to pay Elavon for all amounts that Company may owe under this Agreement. Elavon will have sole control of the Reserve Account, and, upon Company's delivery of funds to Elavon for creating credits in the Reserve Account (or Elavon's crediting the Reserve Account with amounts that otherwise would have been paid to Company), Company will have no further property interest in such funds (or rights to payment) other than with respect to a contingent right to payment from Elavon as described in this Agreement upon the termination of the Reserve Account.

(b) **Reserve Amount**. The "**Reserve Amount**" is equal to the aggregate dollar value of: [(average % credits to processing volume during the same period plus average % Chargebacks to processing volume during the same period) multiplied by four] multiplied by [average monthly processing volume] plus [one month's average fees] plus [number of days delayed delivery multiplied by the average day's processing volume]. For purposes of this calculation, the number of days delayed delivery means the number of days between the date on which the Cardholder's Payment Device is charged and the date the product is shipped to the Cardholder (if the goods are being shipped) or the date the Cardholder receives the product or service. Further, for purposes of this calculation, Elavon will determine the applicable period considering factors such as Company's Transaction volume and seasonality.

(c) **Reserve Event**. The following will constitute "**Reserve Events**":

(i) Fraudulent activity in any monthly period that equals or exceeds 1% of Company's average monthly volume over the preceding 12-month period;

(ii) Chargebacks in any monthly period that equal or exceed 1% of the total dollar value of incoming items to Elavon;

(iii) Elavon's reasonable belief that Company, if not approved by Elavon to engage in delayed delivery transactions, has accepted deposits but has not delivered the goods or services;

(iv) The commencement of a Bankruptcy Proceeding by or against Company;

(v) Termination of the Agreement for any reason or the occurrence of an event listed in Section 4.2 of the Agreement giving Elavon the right to terminate the Agreement;

(vi) Nonpayment of amounts owed by Company to Elavon;

(vii) Fines, assessments, or charges imposed or reasonably expected to be imposed by the Payment Networks;

(viii) The occurrence of a material adverse change in Company's financial condition;

(ix) Assignment of the Agreement by Company in violation of Section 18.5 of the Agreement; and

(x) Revocation, termination, expiration or non-renewal of any guaranty, indemnity agreement, letter of credit or any other Alternate Security provided in connection with the Agreement, if applicable.

(d) **Funding**. Elavon may fund the Reserve Account up to the Reserve Amount by any of the following means:

(i) Elavon may require Company to transfer funds to Elavon for credit to the Reserve Account;

(ii) Elavon may debit the DDA and provide a corresponding credit to the Reserve Account; or

(iii) Elavon may credit to the Reserve Account amounts it would otherwise be obligated to credit to Company.

(e) **Use of Funds in Reserve Account**. Elavon may apply credits in the Reserve Account against any outstanding amounts Company owes under the Agreement. Additionally, Elavon may debit the Reserve Account to exercise its rights under the Agreement, including its rights of set-off and recoupment to collect any amounts due to Elavon.

(f) **Termination of Reserve Account**. Credits in the Reserve Account will remain in the Reserve Account, and will be used only to pay amounts due to Elavon, until Company has paid in full all amounts owing or that may be owed under the Agreement, including all Chargebacks, returns, adjustments, fees, fines, penalties, assessments and charges from the Payment Networks, and any other payments due under the Agreement. In no event will Company be entitled to a payment from Elavon in an amount equal to the credits remaining in the Reserve Account before 270 days following the effective date of termination of the Agreement. Notwithstanding the foregoing, if Elavon determines that the Reserve Event that gave rise to the establishment of the Reserve Account has been sufficiently cured, then Elavon may terminate the Reserve Account or release credits from the Reserve Account, or both, prior to the termination of the Agreement.

(g) **Alternate Security**. In lieu of or in addition to establishing and crediting a Reserve Account, Elavon may accept an alternative form of security ("**Alternate Security**") for the purpose of providing a source of funds to pay Elavon for all amounts owed by Company. Elavon may at any time reevaluate Alternate Security it previously accepted and require funding of a Reserve Account so that the amount of credits in a Reserve Account, taken together with amounts represented by any Alternate Security Elavon accepts, equals the Reserve Amount.

1.3. **Recoupment and Set-off**.

(a) Elavon has the right of recoupment and set-off, and may offset any outstanding or uncollected amounts owed to it hereunder from:

(i) Any amounts it would otherwise be obligated to deposit into the DDA;

(ii) The Reserve Account by reducing the credits thereto; and

(iii) Any other amounts it may owe Company under the Agreement.

(b) Company acknowledges that in the event of a Bankruptcy Proceeding, in order for Company to provide adequate protection under Bankruptcy Code Section 362 to Elavon hereunder, Elavon may require the creation of a Reserve Account and will have the right to offset against the Reserve Account for all obligations Company may owe to Elavon, without regard to whether the obligations relate to Transactions initiated or processed before or after the initiation of the Bankruptcy Proceeding.

1.4. **MATCH™ and Consortium Merchant Negative File.** Company acknowledges that Elavon may be required to report Company's business name and the name of Company's principals to the MATCH™ listing maintained by MasterCard and accessed by Visa, to the Consortium Merchant Negative File maintained by Discover, if applicable, or to any other negative or terminated merchant file of any other Payment Network, if applicable, pursuant to the requirements of the Payment Network Regulations. Company specifically consents to Elavon's fulfillment of the obligations related to the listing of Company and Company information in such databases, and Company waives all claims and liabilities Company may have as a result of such reporting.

1.5. **Remedies Cumulative**. The rights conferred upon Elavon in this Schedule D, Section 1 are not intended to be exclusive of each other or of any other rights and remedies of Elavon under the Agreement, at law or in equity. Rather, each and every right of Elavon under the Agreement, at law or in equity, is cumulative and concurrent and in addition to every other right.

1.6. **Termination**. In addition to Elavon's termination rights in Section 4 of the Agreement, Elavon may terminate the Agreement:

(a) If, after providing 30 days' written notice, either of the following conditions remain:

(i) Excessive Activity; or

(ii) The acceptance of Card Not Present or Convenience Fee Transactions without proper disclosure to Elavon in the Agreement (including in the Company Application) or an amendment to the Agreement.

(b) Immediately if any of the following occur:

(i) The levy, garnishment or attachment of the Alternate Security, the DDA, the Reserve Account, or any of Company's property in Elavon's possession;

(ii) Any change, not approved by Elavon, that constitutes a material change in the types of goods or services Company sells or in the methods by which Company sells them, or any change that results in Company's violation of Elavon's underwriting policy; or

(iii) Revocation, termination, expiration or non-renewal of any guaranty, indemnity agreement, letter of credit or other Alternate Security executed in connection with the Agreement.

1.7. **Member Responsibilities**. Member will facilitate ACH Transactions and comply with all ACH Rules as applicable to Member in providing Services under this Agreement. Member will have no liability to Company under this Agreement. Member is an entity governed by the Laws of the United States of America and as such, cannot provide any products or services to Company or its Customers that contravene the Laws of the United States of America, including the Laws promulgated by OFAC or any successor thereto.

1.8. **Company Information**.

(a) **Authority**. Company authorizes Elavon to make, upon receipt of the Company Application and from time to time, any business credit or other inquiries it considers reasonably necessary to review the Company Application or continue to provide Services under the Agreement. Company also authorizes any person or credit reporting agency to compile information to answer those business credit inquiries and to furnish that information to Elavon.

(b) **Financial Information**. At Elavon's request, Company will provide Elavon audited financial statements prepared by an independent certified public accountant selected by Company. Within 120 days after the end of each fiscal year, Company will furnish Elavon, as requested, a financial statement of profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year, each audited as provided above. Company also will provide Elavon such interim financial statements and other information as Elavon may request from time to time. Notwithstanding the requirements in this section, Company will not be obligated to provide financial statements or similar information required by this section other than those included in Company's filings with the Securities and Exchange Commission so long as Company remains registered and obligated to file financial statements (including annual reports on Form 10-K and quarterly reports on Form 10-Q) pursuant to the Securities Exchange Act of 1934, as amended.

1.9. **Company Data Incident**.

(a) **Notice and Investigation**. Company acknowledges that Cardholder Data and bank account information it obtains in connection with any Transaction is the property of the financial institution that issued the Payment Device or holds the Customer's account. Company will notify Elavon within 24 hours (and if notice is given orally, it must be confirmed in writing within the same 24 hour period) if Company knows or suspects that

Cardholder Data, Customer information, or Transaction Information has been accessed or used without authorization from Company or systems within Company's control (a "**Data Incident**"). The notice must include:

(i) A detailed written statement about the Data Incident including the contributing circumstances,

(ii) The form, number and range of compromised account information,

(iii) Specific account numbers compromised, and

(iv) Details about the ensuing investigation and Company's security personnel who may be contacted in connection with the Data Incident.

Company will fully cooperate with the Payment Networks and Elavon in the forensic investigation of the Data Incident. Within 72 hours of becoming aware of the Data Incident, Company will engage the services of a data security firm acceptable to the Payment Networks and to Elavon to assess the vulnerability of the compromised data and related systems. Company will provide weekly written status reports to Elavon until the forensic audit is complete. Company will promptly furnish updated lists of potential or known compromised account numbers and other documentation or information that the Payment Networks or Elavon may request. In addition, Company will provide all audit reports to Elavon, and such audits must be completed to the satisfaction of the Payment Networks and of Elavon. If Company fails to supply the forensic audits or other information required by the Payment Networks or by Elavon, Company will allow Elavon to perform or have performed such audits at Company's expense.

(b) **Preservation of Records**. If there is a Data Incident, Company will take immediate steps to preserve all business records, logs and electronic evidence relating to the Data Incident. Company will cooperate with Elavon to rectify, correct and resolve any issues that may result from the Data Incident, including providing Elavon with (and obtaining any necessary waivers for) all relevant information to verify Company's ability to prevent future data incidents in a manner consistent with the Agreement.

(c) **Liability for Data Incident**. Without waiving any of Elavon's rights and remedies, Company is liable to the extent provided in the Payment Network Regulations for all fraudulent transactions related to any Data Incident and all costs Elavon incurs as a result of such Data Incident.

2. **Payment Navigator Services**. This Section 2 of Schedule D applies if Company is receiving Payment Navigator Services.

2.1. **Additional provisions**.

(a) **Section 13.2. Indemnification By Company**. In addition to Company's indemnification obligations in Section 13.2, Company will indemnify and defend Elavon, its Affiliates, and their respective employees, officers, directors, and agents against all Losses in connection with Claims arising from alleged infringement of patent, copyright or other intellectual property right, or misappropriation of trade secrets, of any third party by Payment Navigator as modified or altered by Company, its partners, employees, agents or contractors, or the use of any data submitted by Company.

(b) **Section 18.3. Exclusivity**. This section is amended by adding to the end of Section 18.3 of the Agreement:

"Notwithstanding the foregoing, this exclusivity provision will not apply to any Company point-of-sale location that does not interface or interact with the Payment Navigator Services. The parties intend that this Section only applies to Company's Affiliated Entities that interface with the Payment Navigator Services."

3. **Additional Definitions**

"**Alternate Security**" has the meaning stated in Schedule D, Section 1.2(g).

"**Card Not Present**" means the processing environment where the Payment Device is not physically presented to Company by the Cardholder as the form of payment at the time of the Transaction.

“**Convenience Fee**” means a fee charged by Company for an added convenience to the Cardholder for the use of a Payment Device in a Transaction in accordance with the Payment Network Regulations.

“**Excessive Activity**” means the occurrence, during any monthly period, of Chargebacks or Retrieval Requests in excess of 1% of the gross dollar amount of Company’s Transactions or returns in excess of 2.5% of the gross dollar amount of Company’s Transactions.

“**Reserve Amount**” means the amount established pursuant to the calculation stated in Schedule D, 1.2(b).

“**Reserve Event**” means the events designated in Schedule D, Section 1.2(c).

“**Retrieval Request**” means a request initiated by a Cardholder or Issuer that requires Company to produce a legible copy of the Cardholder’s signed Transaction Receipt within a specified period of time.

SCHEDULE E

SAFE-T TERMS

This Schedule E sets out additional terms (and modifications to terms in the General Terms and Conditions) that are applicable if Company is receiving Safe-T Services. Safe-T Services apply to card-present Transactions (the processing environment where the Payment Device is physically presented to the Company by the Cardholder as the form of payment at the time of Transaction), and mail order/telephone order Transactions (only when information is hand-keyed into the POS Device). Safe-T Services do not apply for electronic commerce Transactions.

Schedule E consists of this cover page, the Safe-T Terms and Conditions, and each other applicable Exhibit as indicated below:

☒ Exhibit A (Fees)

Safe-T Services (check desired options):

☐ **Safe-T Solo**, Elavon's non-integrated security solution *(if this box is checked, only the Safe-T Terms and Conditions and Exhibit A will apply to Company in connection with this Schedule E.)*

☐ **Safe-T Link**, Elavon's semi-integrated security solution *(if this box is checked, in addition to the Safe-T Terms and Conditions and Exhibit A, Exhibit B (Encryption Services License)(if there is an encryption application in Company's chosen solution) and Exhibit D (Simplify License) will apply to Company)*

☐ **Safe-T Link with P2PE Protect** *(if this box is checked, in addition to the Safe-T Terms and Conditions and Exhibit A, Exhibit D (Simplify License) will apply to Company. In addition, Company will comply with all the terms of the Point-to-Point Encryption Product Implementation Manual, a copy of which is available at https://www.mypaymentsinsider.com/api/file/c/Safe-T_PIM)*

Equipment (check one of the following options):

☐ Company will use only POS Devices and related equipment purchased from Elavon on or after the effective date of this Schedule *(if this box is checked, Exhibit C will apply to Company in connection with this Schedule E.)*

☐ Company will use only POS Devices and related equipment purchased from a third party, or purchased from Elavon prior to the effective date of this Schedule *(if this box is checked Exhibit F will apply and Company and Elavon must enter into an associated Statement of Work.)*

☐ Company will use both POS Devices and related equipment purchased from Elavon on or after the effective date of this Schedule and POS Devices and related equipment provided by third parties (or purchased from Elavon prior to the effective date of this Schedule) *(if this box is checked, Exhibits C and F will apply and Company and Elavon must enter into an associated Statement of Work.)*

Service Web Site (check if applicable):

☐ Service Web Site Terms and Conditions *(if Company is receiving Gateway Services from Elavon, Company will receive access to the Service Web Site under the applicable terms set forth in the Operating Guide and not under the terms of Exhibit E to this Schedule E. If Company is receiving Processing Services, but not Gateway Services, from Elavon and Company elects to receive the Service Web Site from Elavon, then this box should be checked and Exhibit E under this Schedule E, rather than the applicable terms of the Operating Guide, will apply to Company's receipt of the Service Web Site.)*

Professional Services:

If Company will receive professional services pursuant to this Schedule E, check the box below.

☐ Professional Services Terms *(if this box is checked, Exhibit F and an associated Statement of Work will apply to Company in connection with this Schedule E.)*

SAFE-T TERMS AND CONDITIONS

1. **FEES.** Company will pay Elavon the fees set forth on Exhibit A to this Schedule E (the "Safe-T Services Fees").

2. **DESCRIPTION OF SAFE-T SERVICES.** Subject to the terms and conditions of this Schedule E and the Agreement, Elavon will provide Company the following Safe-T Services:

   (a) **ENCRYPTION SERVICES**, which will consist of decryption of full primary Credit Card or Debit Card account numbers ("PANs") properly encrypted by Company using Elavon-approved software and Equipment and Elavon-injected encryption keys, all in accordance with the terms and conditions of this Schedule E and the Agreement (such services, the "Encryption Services"). Transactions submitted via the Application (as defined in Exhibit B) or POS Device with Elavon-approved software will not be transmitted by the POS Device to Elavon if the Application or POS Device, as applicable, fails to encrypt the PANs.

   (b) **TOKENIZATION SERVICES**, which will consist of a tokenization feature pursuant to which Elavon will provide Company with randomized surrogate identifiers (each, a "Token") in substitution for PANs (such services, the "Tokenization Services"). More specifically, when Company transmits to Elavon a PAN associated with a Transaction, Elavon will:

      (i) generate a Token;

      (ii) associate the Token with the PAN; and

      (iii) send the Token, instead of the PAN, back to Company in the Transaction authorization response message.

   Company may submit the Token, rather than the associated PAN to Elavon to process additional Transactions to the Credit Card or Debit Card associated with such Token across all Company locations. The PAN associated with each Token generated by Elavon can be retrieved by Elavon, on Company's written request, until the date that is three years after the expiration or termination of the Agreement (the "Token Validity Period"), provided that the retrieval of PANs after the expiration or termination of the Agreement will be subject to additional terms and conditions and at an additional cost to Company. Company acknowledges that the Tokens will be formatted in Elavon's reasonable discretion and may not be compatible with other Company Resources.

3. **COMPANY RESPONSIBILITIES.**

   (a) Company will cause the appropriate Equipment, including POS Devices and any Equipment provided by or on behalf of Elavon from time to time, to be readily available for use at all Company locations that are the recipients or users of the Safe-T Services. For purposes of this Schedule E, the term "POS Device" refers only to payment terminals and does not refer to any other point-of-sale devices or software.

   (b) Company acknowledges that Elavon does not store Credit Card or Debit Card expiration dates. In order to use a Token to process a Transaction, Company must provide the Token (in lieu of a PAN) together with the expiration date for the original Credit Card or Debit Card.

   (c) For Safe-T Solo, Company must cooperate with Elavon to promptly take any action necessary to enable the Safe-T Services on Company's Equipment, including promptly downloading, installing and implementing any software or updates thereto in accordance with Elavon's instructions.

4. **DE-TOKENIZATION.** For Safe-T Link, Company may request a reversal of the Tokenization process as follows:

   (a) To reverse the Tokenization process on an individual Token basis, Company may access an Elavon web portal and, with appropriate authentication credentials, retrieve the PAN associated with any Token.

   (b) To reverse the Tokenization process on a bulk basis (i.e., in excess of 100 Tokens at a time), an officer of Company must make a request in writing to Elavon and provide Elavon with the Tokens for which Company wishes to reverse the Tokenization process. Elavon will provide Company's requesting officer with an encrypted file containing the PANs associated with such Tokens within 30 days of receiving the request. Company acknowledges and agrees that additional terms and conditions may apply to reversal of Tokenization on a bulk basis.

5. **P2PE PROTECT.** For Safe-T Link with P2PE Protect, Elavon will maintain the solution's P2PE validation status, will update the Point to Point Product Encryption Manual with any necessary additions for Company to maintain compliance, and will maintain applicable Equipment in Elavon's or its service provider's possession (and deploy such equipment) in accordance with PCI P2PE guidelines.

6. **SAFE-T REIMBURSEMENT.** If Company suffers unauthorized third party access to personal information of individuals (which personal information must include the individual's unencrypted PAN) as a result of the failure of the Safe-T Services to perform in accordance with this Schedule E, Elavon will reimburse Company (on a Company-wide, not a

per-MID basis) for (a) Company's documented costs incurred for a forensic investigation conducted in accordance with subsection (ii) to identify the source of the Data Incident, and (b) any fines and assessments levied or collected by a Payment Network in connection with a Data Incident, up to an aggregate amount not to exceed $50,000 (if Company uses Safe-T Link) or $250,000 (if Company uses Safe-T Solo) (the "Safe-T Reimbursement"). For Level 4 companies, the Safe-T Reimbursement will be in lieu of (and not in addition to) any reimbursement allowed under Elavon's PCI Compliance Program. In order to be eligible to receive the Safe-T Reimbursement, Company must certify to Elavon in writing that:

(i) Company was, at the time of the unauthorized access, in full compliance with the requirements applicable to the Safe-T Services under this Schedule E;

(ii) such unauthorized third party access due to the failure of the Safe-T Services has been confirmed through a forensic investigation conducted by an independent third party auditor reasonably acceptable to Elavon; and

(iii) Company did not, at the time of the unauthorized access, possess or store (directly or indirectly, including through any third party service provider) any PANs or other information subject to the requirements of the Payment Card Industry Data Security Standards Council in any form other than in the form of Tokens in compliance with the Tokenization Services.

Any Safe-T Reimbursement paid to Company hereunder will not be applied toward the overall aggregate liability cap set forth in Section 14.2 of the General Terms and Conditions or toward the liability cap for Elavon Data Breach Losses set forth in Section 14.3 of the General Terms and Conditions.

EXHIBIT A TO SCHEDULE E

Fees

[Note: Elavon sales to contact pricing team for custom pricing schedule for Safe-T]

☐ Fees are set forth on Schedule A to Agreement

☐ Fees are separately provided under this Schedule E (Attachment follows)

EXHIBIT B TO SCHEDULE E

Encryption Services License Terms and Conditions

If Company elects Safe-T Link (as indicated on the cover page of this Schedule E), then, unless Company chooses the On-Guard 3DES encryption solution, this Exhibit B will be a part of this Schedule E, and Company will receive an encryption terminal application for encryption of card data (the "Application") from Elavon.

General Terms and Conditions

1. **Sublicense.** Subject to the terms and conditions of the Agreement and this Schedule E (including, without limitation, this Exhibit B), and the payment of all applicable fees, Elavon hereby grants to Company a limited, personal, non-exclusive, revocable, non-sublicensable (except as provided herein), and non-transferable sublicense for the Term to use the Application as installed on Company's POS Devices solely to encrypt PANs processed using such POS Devices. Company may sublicense the foregoing license to its Affiliated Entities, provided that Company will be responsible for the acts and omissions of such Affiliated Entities as if the same were performed by Company.

2. **Restrictions.** Except as set forth above, Company will have no right to copy, market, distribute (electronically or otherwise), sell, assign (except as permitted under Section 18.5 of the General Terms and Conditions), pledge, lease, deliver, license, sublicense (except as provided herein), outsource, rent or otherwise transfer the Application to any third party or use the Application for service bureau, time-sharing, or other third-party use or to provide hosting or to market by interactive cable or remote processing services to a third party. Company will not make or permit the making of any modifications, additions or enhancements to the Application. Company will not reverse engineer, decompile, disassemble, translate, modify, alter or create any derivative works based upon, or change, the Application, or any part thereof, or determine or attempt to determine any source code, algorithms, methods or techniques embodied in the Application, or part thereof, without the prior written consent of Elavon and its licensor. Company agrees not to use the Application except as expressly licensed hereunder. Company may not sell or transfer any POS Devices on which any Application or encryption keys are installed to any party unless Company has first provided Elavon with prior written notice and (i) removed the Application and encryption keys from the POS Devices and (ii) destroyed the encryption keys in a manner compliant with then-current PCI-DSS requirements. Elavon and its designated agent may monitor and audit Company's use of the Application for purposes of verifying compliance with this Schedule E, including this Exhibit B.

3. **New Releases.** From time to time, Elavon may provide updates, modifications, or new versions of the Application (each, an "Application Release"), provided that Company complies with the terms set forth in this Schedule E, including this Exhibit B. If Company is utilizing an Application licensed from Voltage Security, Inc., Elavon will automatically provision each such Application Release to the Company's POS Devices (an "Automatic Release"). If Company is utilizing an Application licensed from Verifone, Inc., Elavon will provide such Application Releases to Company for installation by Company, in which case Company must ensure that Application Releases are installed and implemented within 14 days of becoming available to Company (a "Manual Release"), provided, however, that Elavon reserves the right to implement Automatic Releases upon notice to Company. Elavon will not be responsible for any updates, upgrades or changes to Company's computer systems that may be necessary in conjunction with delivery, installation or use of any new Application Release.

4. **Reservation of Rights.** Company acknowledges and accepts that, as between the parties: (i) all right, title and interest in and to the Application and all Intellectual Property Rights associated with and in the Application will at all times remain vested in Elavon and its supplier/licensors; and (ii) Company will acquire no rights, express or implied, in the Application, other than the limited sublicense granted herein. Company will not remove from the Application, or alter, any trademarks, trade names, logos, patent or copyright notices, proprietary notices, titles, legends or other notices or markings contained therein, or add any notices or markings to the Application, without the express written consent of Elavon and its licensor. The confidentiality obligations of Company under the Agreement apply to the Application licensed hereunder and Company will limit access to the Application to only those employees and contractors of Company with a need to access the Application to perform its services.

5. **Termination.** The license rights granted herein to the Application will immediately cease if (i) Company sells or otherwise transfers a POS Device containing the Application to any other unaffiliated party; (ii) Company is no longer deemed an active customer using the Application to encrypt PANs processed by Elavon; or (iii) Elavon is no longer authorized by its licensor to continue to use or sublicense the Application. Upon the occurrence of one or more of the events specified in the preceding sentence, Company will discontinue any and all use of the Application and delete all

copies of the Application on the POS Devices or otherwise within the control of Company. If Company's license rights to the Application cease under clause (iii) above, Elavon may, in its discretion and at its expense, (a) make available to Company at no additional expense an alternative solution that contains materially equivalent functionality as the Application and does not degrade the performance or quality of the Safe-T Services, or (b) if Elavon is unable to accomplish the foregoing remedy after using commercially reasonable efforts, discontinue providing the Safe-T Services and reimburse to Company a portion of the fees paid by Company based on a three-year straight line depreciation basis for any Purchased Equipment that Company is unable to use with an alternative third party provider and that Company returns to Elavon. Further, upon the discontinuance of the Safe-T Services by Elavon under clause (b) of the preceding sentence, Company will have the termination rights in Section 7 of the General Terms and Conditions.

6. **U.S. Government Restricted Rights**. If the Application is accessed or used by any agency or other part of the U.S. Government, the U.S. Government acknowledges that (i) the Application and accompanying materials constitute "commercial computer software" and "commercial computer software documentation" under paragraphs 252.227.14 and 252.227.7202 of the DoD Supplement to the Federal Acquisition Regulations ("DFARS") or any successor regulations, and the Government is acquiring only the usage rights specifically granted in the Agreement; and (ii) the Application constitutes "restricted computer software" under paragraph 52.227 19 of the Federal Acquisition Regulations ("FAR") or any successor regulations and the government's usage rights are defined in the Agreement and the FAR.

7. **Fees and Payment**. Company will pay Elavon the fees set forth on Exhibit A to this Schedule E for the sublicense to the Application granted to Company hereunder (the "Encryption Terminal Application License Fees") and for the services provided by Elavon with respect to encryption key injection (the "Encryption Terminal Application Load and Key Injection Fees"). The Encryption Terminal Application License Fees and Encryption Terminal Application Load and Key Injection Fees will each be assessed per POS Device and will be due and payable upon the date of execution of the Agreement.

Special Terms Applicable to Applications Sublicensed from Verifone, Inc.

If Company has received a sublicense to an Application provided by Verifone, Inc., the following additional terms and conditions will apply:

A. **Territory**. Notwithstanding anything in this Schedule E or elsewhere in the Agreement to the contrary, Company may use the Application solely as installed on Company's POS Devices located in the U.S.

B. **Limitation of Liability.** NOTWITHSTANDING ANYTHING IN THE AGREEMENT, INCLUDING THIS SCHEDULE E, TO THE CONTRARY, IN NO EVENT WILL ELAVON'S LICENSORS, SUPPLIERS, OR AGENTS BE LIABLE FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, BUT NOT LIMITED TO, PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, LOSS OF USE OR DATA, LOST PROFITS OR BUSINESS INTERRUPTION) BY OR ON BEHALF OF COMPANY OR ANY CLAIMS BY ANY THIRD PARTIES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, STRICT LIABILITY, OR TORT (INCLUDING NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY OUT OF THE PROVISION OR USE OF THE APPLICATION, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING IN SECTION 13 OF THE GENERAL TERMS AND CONDITIONS TO THE CONTRARY, IN NO EVENT WILL ELAVON'S LICENSORS, SUPPLIERS, OR AGENTS HAVE ANY OBLIGATION TO DEFEND OR INDEMNIFY COMPANY FOR ANY CLAIMS ARISING IN ANY WAY OUT OF THE PROVISION OR USE OF THE APPLICATION, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Special Terms Applicable to Applications Sublicensed from Voltage Security, Inc.

If Company has received a sublicense to an Application provided by Voltage Security, Inc., the following additional terms and conditions will apply:

A. **Territory.** Company may use the Application solely as installed on Company's POS Devices located in the U.S., and if the Agreement includes Schedule F, in Canada.

B. **Limitation of Liability.** NOTWITHSTANDING ANYTHING IN THE AGREEMENT, INCLUDING THIS SCHEDULE E, TO THE CONTRARY, IN NO EVENT WILL ELAVON'S LICENSORS, SUPPLIERS OR AGENTS BE LIABLE FOR ANY DIRECT DAMAGES, NOR WILL ELAVON'S LICENSORS, SUPPLIERS, OR

AGENTS BE LIABLE FOR ANY INDIRECT, SPECIAL, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES (IN EACH CASE, INCLUDING, BUT NOT LIMITED TO, PROCUREMENT OF SUBSTITUTE GOODS OR SERVICES, LOSS OF USE OR DATA, LOST PROFITS OR BUSINESS INTERRUPTION) BY OR ON BEHALF OF COMPANY OR ANY CLAIMS BY ANY THIRD PARTIES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER IN CONTRACT, STRICT LIABILITY, OR TORT (INCLUDING NEGLIGENCE OR OTHERWISE) ARISING IN ANY WAY OUT OF THE PROVISION OR USE OF THE APPLICATION, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING ANYTHING IN SECTION 13 OF THE GENERAL TERMS AND CONDITIONS TO THE CONTRARY, IN NO EVENT WILL ELAVON'S LICENSORS, SUPPLIERS, OR AGENTS HAVE ANY OBLIGATION TO DEFEND OR INDEMNIFY COMPANY FOR ANY CLAIMS ARISING IN ANY WAY OUT OF THE PROVISION OR USE OF THE APPLICATION, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

C. **Third Party Beneficiary.** Voltage Security, Inc. is a designated third party beneficiary under this Exhibit B with the right to enforce all terms related to the Application under this Exhibit B directly against Company. Governing law for any claim brought by the designated third party beneficiary will be the law of the jurisdiction within the U.S. in which the claim is brought; provided, that if Company is a government entity or institution, governing law for any such claim will be that set forth in Schedule H to the Agreement.

EXHIBIT C TO SCHEDULE E

Equipment Schedule

If Company elects to purchase Equipment from Elavon in connection with Safe-T Link, this Exhibit C will be a part of this Schedule E.

1. **Equipment and Pricing.**

   a) Purchased Equipment. Company has elected to purchase the Purchased Equipment set forth in Exhibit A to this Schedule E from Elavon. The fees payable by Company for the Purchased Equipment are set forth on Exhibit A to this Schedule E.

   b) Shipping. The fees payable by Company for shipment of the Purchased Equipment to the location or locations designated by Company are set forth in Exhibit A to this Schedule E; provided, however, if the shipping fees are not set forth in Exhibit A to this Schedule E, then all actual costs and expenses of shipping will be paid by Company. Provided that the Purchased Equipment is shipped using Elavon's freight account, Elavon will bear the risk of loss of such Purchased Equipment until the time of delivery to Company; if the Company directs Elavon to use any other shipping method, Company expressly acknowledges and agrees that all risk of loss for the Purchased Equipment will pass to Company when the Purchased Equipment is tendered by Elavon or on Elavon's behalf to the carrier for shipment to Company.

2. **Terminal Software and Encryption Keys**. Elavon will install the encryption keys and any applicable licensed software onto Company's POS Devices as specified in Exhibit A to this Schedule E prior to delivery of such POS Devices to Company, and Company will pay the applicable fees detailed in Exhibit A to this Schedule E for any encryption keys or licensed software that Company has elected to receive.

3. **Warranty Terms**.

Elavon's limited warranty with respect to POS Devices is set forth in the Equipment chapter of the Operating Guide.

If Company has selected additional warranty options for POS Devices purchased from Elavon, as indicated on Exhibit A to this Schedule E, the following terms will apply, as applicable, limited only to such POS Devices purchased from Elavon (and specifically excluding any other peripheral equipment purchased from Elavon and all equipment purchased from a third party):

Premium Advanced Exchange Program:

The Premium Advanced Exchange Program provides the following services during the applicable warranty period, which will commence on the date of shipment of the POS Device to Company:

i. If a POS Device requires service, on Company's request, Elavon will ship a like-model, refurbished POS Device to Company for delivery the next business day (provided Company's request is received prior to 6 p.m. Eastern time) at no additional cost to Company. The refurbished POS Device will be configured and tested prior to shipment to Company.
ii. Company will be provided with a call tag to enable Elavon to retrieve or cause the retrieval of Company's POS Device requiring service. Company must use the call tag promptly upon receipt. If Elavon does not receive the POS Device requiring service within 30 days of the issuance of the call tag, Company may be charged the cost of a new replacement POS Device.
iii. Elavon will retrieve or cause the retrieval of the POS Device requiring service at no additional cost to Company.
iv. Elavon will bill Company, and Company will be responsible for paying Elavon, for the costs of repairing POS Devices retrieved by Elavon unless such repairs are covered by the OEM warranty.

With regard to the Premium Advanced Exchange Program: (a) Company must initiate the exchange process with Elavon, and (b) Elavon will bear the risk of loss of the refurbished POS Device sent to Company and the POS Device requiring service while such POS Devices are in the possession of Elavon or its freight carrier, and Company will bear the risk of loss at all other times.

Premium Repair Warranty Program:

The Premium Repair Warranty Program provides the following services during the warranty period, which will commence on the date of shipment of the POS Device to Company:

i. All repair fees, service, and parts related to any repair of the POS Device, other than with respect to repairs attributable to misuse or abuse of the POS Device or cosmetic damage not affecting the performance of the POS Device.
ii. Cleaning and testing of repaired POS Devices.

With regard to the Premium Repair Warranty Program: (a) Company must obtain an RMA Number from Elavon in order to initiate the warranty process, and (b) Elavon will bear the risk of loss of the repaired POS Device while such POS Device is in the possession of Elavon or its freight carrier, and Company will bear the risk of loss at all other times.

For the avoidance of doubt, any and all warranties provided under this Schedule E, including this Exhibit C, will not extend to any equipment, software or hardware purchased from any third party.

4. **Miscellaneous Terms/Disclaimer**. This Exhibit C is supplemental to and forms a part of this Schedule E, the terms of which are fully applicable hereto.

IN THE EVENT OF ANY DEFECT, MALFUNCTION, ERROR, OR DAMAGE TO ANY PURCHASED EQUIPMENT PROVIDED HEREUNDER, ELAVON'S SOLE OBLIGATION WILL BE THE PROVISION OF WARRANTY SERVICE PURSUANT TO THE WARRANTY OPTION (IF ANY) SELECTED BY COMPANY ON EXHIBIT A TO THIS SCHEDULE E, AND COMPANY'S SOLE REMEDIES WITH RESPECT TO ELAVON WILL BE THE RECEIPT OF WARRANTY SERVICE FROM ELAVON OR ITS DESIGNEE PURSUANT TO SUCH WARRANTY OPTION OR UNDER THE MANUFACTURER'S WARRANTY. ELAVON WILL HAVE NO LIABILITY TO COMPANY FOR COSTS, LOSSES, OR DAMAGES OF ANY KIND OR NATURE, WHETHER DIRECT, INDIRECT, CONSEQUENTIAL OR OTHERWISE, WITH RESPECT TO ANY SUCH DEFECT, MALFUNCTION, ERROR, OR DAMAGE.

EXHIBIT D TO SCHEDULE E

Simplify and Bridge Software License

If Company elects Safe-T Link, this Exhibit D will be a part of this Schedule E.

Section A – Terms and Conditions

1. **Definitions.** Capitalized terms used in this Exhibit D (the "Simplify License") and not otherwise defined herein will have the meanings ascribed to them in the glossary set forth in Section B of this Simplify License or, if not defined in such glossary, as defined in the Agreement.

2. **License Grant and Permitted Use.**

   a) Elavon hereby grants to Company a limited, personal, non-exclusive, non-sublicensable (except as specifically set forth herein), and non-assignable (except as permitted under Section 18.5 of the General Terms and Conditions) license in the U.S. and, if the Agreement includes Schedule F, in Canada, during the Term to use and allow Authorized Users to use the Simplify Software as installed on Company's POS Devices owned or otherwise controlled by Company and to install, use, and allow Authorized Users to use any subsequent Releases of such Simplify Software provided to Company from time to time, solely for Company's internal business purposes to process data in accordance with the Documentation. This Simplify License permits Company to use the Simplify Software only on the total number of POS Devices set forth in Exhibit A to this Schedule E. Company is not permitted to use the Simplify Software to service any other POS Devices unless permitted by Elavon in writing. Company is not authorized to make copies of the Simplify Software.

   b) Elavon hereby grants to Company a limited, personal, non-exclusive, non-sublicensable (except as specifically set forth herein) and non-assignable (except as permitted under Section 18.5 of the General Terms and Conditions) license during the Term to use and to allow Authorized Users to use the Documentation solely in connection with access to and use of the Simplify Software pursuant to this Simplify License. Company will have the right to make a reasonable number of copies of the Documentation, at no additional charge, solely for Company's own internal business purposes in connection with access to and use of the Simplify Software under this Simplify License; provided, however, that all proprietary markings of Elavon must be affixed and retained by Company on any such copies.

   c) Except as provided in this Simplify License, Company will not: (i) copy, re-sell, reproduce, transfer, rent, lease, pledge, sublicense, distribute or republish in any form or by any means or allow another to use or access the Licensed Materials, or any portion thereof, including, without limitation, to provide outsourcing, service bureau, hosting services or training to third parties; (ii) alter, modify or otherwise prepare derivative works of the Licensed Materials; (iii) reverse engineer, disassemble or decompile the Simplify Software, or any part thereof; (iv) remove, change or obliterate the copyright, trade secret or other proprietary protection legends or notices which appear on or in the Licensed Materials; or (v) combine any Licensed Materials with any unauthorized third party software. Company will not access or use, and it will not permit any Authorized Users to access or use, the Licensed Materials or proprietary materials disclosed to Company for the purpose of creating, in whole or in part, a system that is functionally competitive with the Simplify Software. Company will promptly notify Elavon of and will otherwise cooperate with Elavon in preventing any unauthorized access to, use of, or copying of, the Licensed Materials by Authorized Users or any other third party.

   d) Company may sublicense the foregoing license to its Affiliated Entities, provided that Company will be responsible for the acts and omissions of such Affiliated Entities as if the same were performed by Company.

   e) All rights not expressly granted to Company under this Simplify License are reserved by Elavon.

3. **Delivery and Installation.**

   a) All installation of the Simplify Software, other than installation of Releases (as described below) must be conducted by or at the direction of Elavon. If Company purchases POS Devices from Elavon in conjunction with or subsequent to the Agreement Effective Date, the Simplify Software will be installed on such terminals prior to shipment to Company. If Company requests installation of the Simplify Software on POS Devices purchased prior to the Agreement Effective Date or not obtained from Elavon, Elavon and Company must enter into a Statement of Work or other agreement governing the delivery of such terminals to Elavon or Elavon's designee for installation of the Simplify Software.

b) Delivery of the Simplify Software by Elavon will be deemed to have occurred when a POS Device with the Simplify Software installed is tendered by Elavon or on Elavon's behalf to a carrier for shipment to Company. Elavon will deliver one copy of the Documentation to Company in a format determined by Elavon.

4. Limited Warranties; Disclaimers.

a) Elavon warrants as follows:

i) During the Warranty Period, the Simplify Software will include the functionality described in and will perform substantially in accordance with the Documentation in all material respects, provided that the Simplify Software is used in accordance with the terms of this Simplify License and the Documentation. If the Simplify Software does not perform as warranted during the Warranty Period and Elavon is unable to remedy such nonconformity within a reasonable time after receiving written notice thereof, Elavon will, as Company's sole and exclusive remedy, refund to Company the fees paid hereunder for the Licensed Materials, upon the return of the Licensed Materials by Company.

ii) Elavon will use commercially reasonable measures to screen the Simplify Software to avoid introducing any computer virus that is designed (A) to permit unauthorized access or use by third parties to the Simplify Software, (B) to damage, erase or delay access to the Simplify Software, or (C) to perform any other similar actions. Elavon will not insert any code or other device into any Simplify Software that would have the effect of disabling, damaging, erasing, delaying or otherwise shutting down all or any portion of the Simplify Software.

iii) The Simplify Software Support Services (as defined below) will be performed in a professional and workmanlike manner. Elavon will have and maintain sufficient resources to perform the Simplify Software Support Services in accordance with this Simplify License.

b) Limitations. Elavon's obligations under Section 4(a) of this Simplify License will not apply: (i) to any modifications, alterations or customizations developed by or on behalf of Company; (ii) if the Licensed Materials are not used on the equipment specified or in accordance with the Documentation; (iii) if the Licensed Materials have been installed, implemented, customized, modified, enhanced or altered by any third party (except any third party used by Elavon to provide services under this Simplify License); (iv) if Company is not using the most recent Release of the Licensed Materials; or (v) to any error or defect caused by Company, an Authorized User or any third party (except any third party used by Elavon to provide services under this Simplify License) or third party software.

5. Simplify Software Support Services; Releases.

a) Simplify Software Support Services. Subject to Company's payment of the Simplify Software Support Services Fees, Elavon will provide Company with the following support services (the "Simplify Software Support Services"):

i) Providing Company with solutions to any known material problem relating to each installation of the Simplify Software in a timely manner as such solutions become known to Elavon;

ii) Using commercially reasonable efforts to supply timely corrections for problems reported to Elavon by Company that Elavon can reproduce in a currently supported version of the Simplify Software;

iii) Furnishing a reasonable level of telephone support, as determined by Elavon, in the form of counsel and advice on use and maintenance of the Simplify Software; and

iv) Providing Company with new Releases of the Simplify Software as provided herein.

b) Simplify Software Support Services Fees. Company will pay the fees for the Simplify Software Support Services set forth on Exhibit A to this Schedule E (the "Simplify Software Support Services Fees"). Company understands and agrees that Simplify Software Support Services Fees will not include fees for Professional Services, if any, associated with delivery and installation of any new Release of Simplify Software or modification of the then-current Major Release of Simplify Software then in use by Company, which will be set forth in a Statement of Work or otherwise agreed in writing by Company and Elavon.

c) New Releases. Company will be entitled to receive all new Releases of the Simplify Software, including Major Releases, provided that Company complies with the terms set forth in this Simplify License, including, without limitation, the payment of all Simplify Software Support Services Fees in full when due. Elavon will provide new Releases of the Simplify Software to Company in a manner consistent with the provision of new Application Releases. Elavon will not be responsible for any updates, upgrades or changes to Company's computer systems that may be necessary in conjunction with delivery, installation or use of any new Release of the Simplify Software.

d) Supported Releases. Elavon will provide Simplify Software Support Services to Company only for (i) the then-current Release of the Simplify Software, if Company licenses an Application from Voltage Security, Inc., or (ii) the then-current Release and, for no more than 14 days following the delivery of the then-current Release, the immediately prior Release of the Simplify Software, if Company licenses an Application from Verifone, Inc. (collectively, a "Supported Release"); provided that Company complies with the terms and conditions of this Simplify License and the Documentation, including, without limitation, payment obligations.

e) Unsupported Releases. If Company uses any Release other than a Supported Release (an "Unsupported Release"), except for providing telephone support under Section 5(a)(iii) above for the Unsupported Release, Elavon will have no obligation to provide any other Simplify Software Support Services for such Unsupported Release; provided, that Company will not thereby be relieved of its obligation to pay the Simplify Software Support Services Fees. Elavon, in its sole discretion, may elect to provide Simplify Software Support Services for Unsupported Releases at an additional charge to be mutually determined by the parties in writing, but Elavon will have no obligation to do so. Whether or not Elavon elects to provide Simplify Software Support Services for an Unsupported Release, Elavon will have no responsibility or liability for the compliance or non-compliance of any such Unsupported Release with industry standards, Laws or Payment Network Regulations.

6. **Responsibilities of Company**.

a) Company Data. Company acknowledges the Simplify Software does not verify accuracy of information or format of any data or information input by Company.

b) Company Telecommunications. Company will be responsible for ensuring that its telecommunications connectivity, and any such connectivity provided by any third party on behalf of Company, is properly certified and maintained and complies with applicable industry rules and regulations, including Payment Network Regulations.

c) Company Systems and Equipment. Company will be responsible for ensuring that the systems and equipment, including, without limitation, any POS Devices and any systems or equipment of third-party vendors used by Company, remain certified and compatible with the most recent Release of the Simplify Software. Elavon will not be responsible for any updates, upgrades, or changes to Company's systems or equipment, including, without limitation, the POS Device or any third-party systems or equipment, that may be necessary in conjunction with delivery, installation or use of the Simplify Software. Failure of the Company's systems or equipment, including, without limitation, the POS Device, or any third-party systems, to remain certified or to be compatible and function with a Supported Release of the Simplify Software as regulated and/or required will excuse Elavon from any and all liability under this Simplify License and in connection with any other services that Elavon may be providing to Company for the failure of the Simplify Software to perform in accordance with the Documentation. If Company has obtained Purchased Equipment from Elavon, Elavon will ensure that each new Release of the Simplify Software is compatible with the Purchased Equipment until the end-of-life date established by the terminal manufacturer for such Purchased Equipment. If any Purchased Equipment reaches its end-of-life date and Company has obtained replacement POS Devices that are compatible with the Simplify Software, Company and Elavon may enter into a Statement of Work providing for the installation of the Simplify Software on such replacement terminals. Company will not be obligated to pay a new license fee in conjunction with such installation, although Company may be obligated to pay fees for Professional Services in conjunction with such installation, as agreed by the parties.

d) ELAVON DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS OR ADEQUACY OF ANY DATA OR OTHER INFORMATION PROVIDED OR MADE AVAILABLE BY COMPANY OR ITS AUTHORIZED USERS, AND ELAVON WILL NOT BE LIABLE FOR ANY ERROR, OMISSION, DEFECT, DEFICIENCY, OR NONCONFORMITY IN THE DATA OR RESULTS FROM USING THE LICENSED MATERIALS, EXCEPT TO THE EXTENT DIRECTLY CAUSED BY A FAILURE OF THE LICENSED MATERIALS TO PERFORM IN ACCORDANCE WITH THE DOCUMENTATION.

e) Compliance by Company's Authorized Users. Company is responsible for compliance by each of its Authorized Users with the terms and conditions of this Simplify License and is responsible and liable for all access and use by Authorized Users and acts or omissions of Authorized Users under this Simplify License.

7. **Fees and Payment**. Company will pay Elavon the Simplify Software Support Services Fees and such other fees for the Simplify Software (collectively, the "Simplify Software Fees") set forth on Exhibit A to this Schedule E or otherwise agreed by the parties in writing. All Simplify Software Fees will be assessed per POS Device and are non-refundable, except as otherwise provided in this Simplify License or this Schedule E, and are subject to the following terms:

a) Simplify License Fees: The Simplify License Fees will be due and payable upon the Effective Date of the Agreement.

b) Simplify Software Support Services Fees: The Simplify Software Support Services Fees will be due and payable upon the date of Company's first use of the Simplify Software in a production environment and annually thereafter upon the anniversary of the date of first production use of the Simplify Software. Elavon may increase the Simplify Software Support Services Fees annually upon at least 60 days written notice to Company.

8. **Ownership and Reservation of Rights.** Elavon retains all right, title and interest, including, without limitation, all Intellectual Property Rights, in and to the Licensed Materials and all Customizations. No rights in the Licensed Materials or Customizations are granted to Company other than those limited license rights expressly set forth in this Simplify License. If any right, title or interest in and to any Licensed Materials or to any Customizations developed by Company or Elavon is deemed to vest in Company, Company hereby assigns and agrees to assign to Elavon all worldwide right, title, and interest in and to such Licensed Materials and to any Customizations, including all Intellectual Property Rights therein.

Section B – Glossary for Simplify License

Customizations means any works of authorship, work product, and any invention, process, method, development, design, schematic, or technical information, whether patentable or not, including, without limitation, documentation, software or enhancement, improvements, alterations, or derivatives of the Simplify Software or the Licensed Materials developed by Elavon, either alone or jointly with others, in connection with the provision of Simplify Software Support Services.

Licensed Materials means one installed copy of the executable code (i.e. object code) of the Simplify Software per authorized Company POS Device and a copy of the Documentation reasonably necessary for a user to operate the Simplify Software and any permitted copies of the foregoing.

Major Release means any additional or replacement code or Documentation provided by Elavon that adds major new capabilities or functionality to the Licensed Materials, as designated by a change in the number to the left of the decimal point in the version number (e.g., from version 1.0 to 2.0). Major Release does not include new or additional modules of Licensed Materials, which must be licensed separately from Elavon.

Minor Release means any additional or replacement code or Documentation provided by Elavon that does not add major new capabilities or functionality and that is made generally available by Elavon to its customers using the applicable Major Release of the Licensed Materials, as designated by a change in the number to the right of the decimal point in the version number (e.g., from version 1.1 to version 1.2).

Release means Major Releases, Minor Releases and Revisions, collectively.

Revision means any product temporary fix, error corrections, work-around, or other maintenance correction made available by Elavon to its customers, as designated by a change in the number to the right of the second decimal point in the version number (e.g., from 1.1.1 to 1.1.2).

Simplify Software means the installed version of the software application referred to and marketed as the Simplify software, including any Releases made available by Elavon to Company under this Simplify License.

Simplify Software Fees means the applicable fees for the Licensed Materials, Simplify Software, Simplify Software Support Services, and any other services or products, as set forth in Exhibit A to this Schedule E.

Simplify Software Support Services means the support services provided by Elavon to Company, as set forth in Section 5 of this Simplify License.

Supported Release has the meaning given to it in Section 5(d) of this Simplify License.

Unsupported Release has the meaning given to it in Section 5(e) of this Simplify License.

Warranty Period means the period beginning on the Agreement Effective Date and ending on the earlier of 90 days from the Agreement Effective Date or the date of Company's first use in a production environment of a POS Device on which the Simplify Software is installed.

Section C – Elavon Bridge License

1. **Applicability.** If Company has elected or is technically required to receive the Elavon Bridge software to facilitate the Gateway Services, the terms and conditions of this Section C will apply.

2. **License Grant and Permitted Use.**

    a) Subject to the terms and conditions of the Agreement (including this Schedule), Elavon hereby grants to Company a limited, personal, non-exclusive, non-sublicensable (except as provided herein), and non-transferable (except in connection with a permitted assignment of the Agreement) license for the Term to use the Elavon Bridge as installed on Company's hardware solely to facilitate the Gateway Services (the "**Bridge License**").

b) Except as set forth above, Company will not (i) reproduce, market, distribute (electronically or otherwise), sell, assign, pledge, lease, deliver, license, sublicense, outsource, rent or otherwise transfer the Elavon Bridge to any third party or use the Elavon Bridge for service bureau, time-sharing, or other third-party use or to provide hosting or remote processing services to a third party; (ii) alter, modify or otherwise prepare derivative works of the Elavon Bridge; (iii) reverse engineer, disassemble or decompile the Elavon Bridge, or any part thereof; (iv) remove, change or obliterate the copyright, trade secret or other proprietary protection legends or notices which appear on or in the Elavon Bridge; or (v) combine any Elavon Bridge with any unauthorized third party software. Company will not access or use, and it will not permit any Authorized Users to access or use, the Elavon Bridge or proprietary materials disclosed to Company for the purpose of creating, in whole or in part, a system that is functionally competitive with the Elavon Bridge. Company will promptly notify Elavon of and will otherwise cooperate with Elavon in preventing any unauthorized access to, use of, or copying of, the Elavon Bridge by Authorized Users or any other third party. Elavon and its designated agents may monitor and audit Company's use of the Elavon Bridge for purposes of verifying compliance with this Schedule.

c) Company may sublicense the foregoing license to its Affiliated Entities (if applicable), provided that Company will be responsible for the acts and omissions of such Affiliated Entities as if the same were performed by Company.

d) All rights not expressly granted to Company under this Bridge License are reserved by Elavon.

3. **Installation.** All installation of the Elavon Bridge must be conducted by or at the direction of Elavon. Either Company will install the Elavon Bridge or Elavon will remotely install the Elavon Bridge on Company's hardware after consultation with Company as to the timing of such installation. Company will allow Elavon all access to Company's hardware and related systems necessary to install the Elavon Bridge and any new releases.

4. **Bridge Support Services; Feedback**.

a) Bridge Support Services. Elavon will provide Company with the following support services (the "Bridge Support Services"):

v) Providing Company with solutions to any known material problem relating to each installation of the Elavon Bridge in a timely manner as such solutions become known to Elavon;

vi) Using commercially reasonable efforts to supply timely corrections for problems reported to Elavon by Company that Elavon can reproduce in a currently supported version of the Elavon Bridge;

vii) Furnishing a reasonable level of telephone support, as determined by Elavon, in the form of counsel and advice on use and maintenance of the Elavon Bridge;

viii) Providing Company with new releases of the Elavon Bridge (so long as Company complies with the terms set forth in this Bridge License).

b) Limited Warranty. The Bridge Support Services will be performed in a professional and workmanlike manner. Elavon will have and maintain sufficient resources to perform the Bridge Support Services in accordance with this Bridge License.

c) Feedback. Company has no obligation to provide Elavon any suggestions, comments, or other feedback regarding the Elavon Bridge (collectively, "**Feedback**"). If Company nonetheless provides Feedback to Elavon, Company agrees that Elavon may freely use, disclose, reproduce, license, distribute, and otherwise commercialize the Feedback in any products, technology, services, specifications or other documentation of Elavon or its Affiliates. Feedback will not constitute Confidential Information, even if it would otherwise qualify as such pursuant to the Agreement.

5. **Responsibilities of Company**.

a) Company Systems and Equipment. Company will be responsible for ensuring that the systems and equipment, including any POS Devices and any systems or equipment of third-party vendors used by Company, remain certified and compatible with the most recent release of the Elavon Bridge. Elavon will not be responsible for any updates, upgrades, or changes to Company's systems or equipment, including the POS Device or any third-party systems or equipment, that may be necessary in conjunction with delivery, installation or use of the Elavon Bridge. Failure of the Company's systems or equipment, including POS Device, or any third-party systems, to remain certified or to be compatible and function with the most recent release of the Elavon Bridge as regulated or required will excuse Elavon from all liability under this Bridge License and in connection with any other services that Elavon may be providing to Company for the failure of the Elavon Bridge to perform in accordance with its specifications.

b) ELAVON DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS OR ADEQUACY OF ANY DATA OR OTHER INFORMATION PROVIDED OR MADE AVAILABLE BY COMPANY OR ITS AUTHORIZED

USERS, AND ELAVON WILL NOT BE LIABLE FOR ANY ERROR, OMISSION, DEFECT, DEFICIENCY, OR NONCONFORMITY IN THE DATA OR RESULTS FROM USING THE ELAVON BRIDGE, EXCEPT TO THE EXTENT DIRECTLY CAUSED BY A FAILURE OF THE ELAVON BRIDGE TO PERFORM IN ACCORDANCE WITH ITS SPECIFICATIONS.

c) Compliance by Company's Authorized Users. Company is responsible for compliance by each of its Authorized Users with the terms and conditions of this Bridge License and is responsible and liable for all access and use by Authorized Users and acts or omissions of Authorized Users under this Bridge License.

EXHIBIT E TO SCHEDULE E

Service Web Site Terms and Conditions

If Company elects to use the Service Web Site (as defined below) in connection with Safe-T Link for certain Transaction management functionality, this Exhibit E ("Service Web Site Terms and Conditions") will be a part of this Schedule E and access to the Service Web Site will be deemed to constitute a part of the Safe-T Services.

This Exhibit E only applies to Company if Company is receiving Processing Services from Elavon. If Company is not receiving Processing Services from Elavon, the Service Web Site terms in the Operating Guide, and not the Service Web Site Terms and Conditions set forth below, will govern Company's access to the Service Web Site.

1. **Definitions**.

   Administrator means the Company employee designated by Company to establish user groups for access to the Service Web Site by Authorized Users of Company and to issue and manage user IDs and passwords of Authorized Users.

   Service Web Site means the browser-based user interface operated by Elavon and located at the URL designated by Elavon (as such URL may be updated from time to time), which provides Company with batch management, settlement balancing, and Transaction research and reporting functionality.

2. **Company Access and Use of the Service Web Site**. Subject to and in accordance with the terms, conditions and limitations set forth in the Agreement, including this Schedule E and this Exhibit E, Elavon grants Company a limited, revocable, non-exclusive, non-assignable (except as permitted under Section 18.5 of the General Terms and Conditions), non-transferable right during the Term of the Agreement to access and use the Service Web Site solely for Company's own internal business purposes. Company and its Authorized Users will not, and will ensure that their employees do not: (i) transmit any data that contains software viruses, time bombs, worms, Trojan horses, spyware, disabling devices, malicious code, or other harmful or deleterious computer code, files or programs to the Service Web Site; (ii) interfere with or disrupt the servers or networks providing the Service Web Site, or violate the regulations, policies or procedures of any associated networks; (iii) remove, change or obliterate the copyright, trademark or other proprietary protection legends or notices that appear in connection with access to and use of the Service Web Site; or (iv) copy, re-sell, republish, download, frame or transmit in any form or by any means the Service Web Site, or any part thereof, including, without limitation, in order to act as a consultant, service bureau, outsourcing or application service provider for any third parties, or otherwise allow any third party to use or access the Service Web Site. Company will not access or use, and it will not permit any Authorized User to access or use, the Service Web Site for the purpose of creating, in whole or in part, a system or service that is functionally competitive with the Service Web Site or the Safe-T Services. Company will promptly notify Elavon of and will otherwise cooperate with Elavon in preventing any unauthorized access to, or use or copying of, the Service Web Site, or any part thereof, by Company, Authorized Users or any third party. Company is and will remain liable for all access and use of the Service Web Site by Company and its personnel, including, without limitation, Authorized Users.

3. **Monitoring**. Company acknowledges and agrees that Elavon may be able to monitor access to and use of the Service Web Site and to prohibit any access or use of data or information within the Service Web Site that Elavon reasonably believes is unauthorized, may violate applicable law or that may pose an unacceptable risk of material harm to Elavon, other Elavon customers or Elavon's systems; provided, however, that Company further acknowledges and agrees that Elavon has no obligation to detect or prevent, and will have no liability for failing to detect or prevent, any unauthorized access to or use of the Service Web Site using any password or user ID assigned to or by Company.

4. **Administration; Authorized Users**. Company will designate an Administrator in writing. The Administrator will create passwords and user IDs for Authorized Users, and Company will be responsible for the distribution and security of such passwords and user IDs. Company is responsible for ensuring the access granted to each Authorized User is limited only to the access and information necessary for the Authorized User to perform his or her job functions on behalf of Company. Company is responsible for compliance with these Service Web Site Terms and Conditions by each of its Authorized Users and is solely responsible for all acts or omissions of the Authorized Users.

5. **Transaction Data**.

   (a) Elavon will not bear and expressly disclaims any and all liability related to Company's use of telecommunications services and related networks of Company or a third party, including, without limitation any erroneous transmission, corruption or loss of data, or inability to access the Service Web Site as a result of the failure of the telecommunications systems, equipment, resources, or software of Company or any third party. Without limiting the foregoing, Elavon will not be responsible for the reconstruction of any information or data lost in transmission to or from the Service Web Site due to any malfunction of Company's or Company's third-party service provider's systems. Company acknowledges that Elavon is not responsible for ensuring or verifying the accuracy of the content or format of any Transaction Information received by Elavon. COMPANY ACKNOWLEDGES AND AGREES THAT THE SERVICE WEB SITE RELIES ON THE DATA AND DIRECTIONS PROVIDED BY COMPANY AND ITS AUTHORIZED USERS. ELAVON DOES NOT GUARANTEE THE ACCURACY, COMPLETENESS OR ADEQUACY OF ANY DATA OR OTHER INFORMATION PROVIDED OR MADE AVAILABLE BY COMPANY OR ITS AUTHORIZED USERS, AND ELAVON WILL NOT BE LIABLE FOR ANY ERROR, OMISSION, DEFECT, DEFICIENCY, OR NONCONFORMITY IN DATA OR RESULTS OBTAINED THROUGH COMPANY'S USE OF THE SERVICE WEB SITE, EXCEPT TO THE EXTENT CAUSED BY ELAVON'S BREACH OF THESE SERVICE WEB SITE TERMS AND CONDITIONS.

(b) Elavon will have the right to rely on instructions and approvals submitted by Company regarding access to and use of Transaction Information. Company and its Authorized Users may view and retain certain Transaction Information stored by Elavon in accordance with the functionality of the Service Web Site and these Service Web Site Terms and Conditions. If Company wishes to access or receive copies of Transaction Information that is not accessible or downloadable via the Service Web Site, Company may request that Elavon provide such Transaction Information, and Elavon will work with Company to provide such Transaction Information on mutually agreed upon terms. Notwithstanding the foregoing or anything herein to the contrary, if, following the expiration or termination of the Agreement, Company desires to access or receive copies of Transaction Information stored by Elavon, Company will be required to: (i) enter into a data access agreement to be separately executed by the parties and (ii) pay any fees imposed by Elavon in connection with such access.

6. **Fees and Payment**. Company will pay Elavon the fees for access to and use of the Service Web Site set forth in Exhibit A to this Schedule E, subject to the following terms:

(a) Service Web Site Set Up Fee: The Service Web Site Set Up Fee will be due and payable within 15 days of Elavon's delivery to Company of log-in credentials for the Service Web Site.

(b) Service Web Site Monthly Fee: The Service Web Site Monthly Fee will be due monthly, commencing with the first full calendar month after activation of the Service Web Site.

EXHIBIT F TO SCHEDULE E

Professional Services Terms

If Company elects to obtain Professional Services from Elavon in conjunction with the installation or implementation of the Safe-T Link Services or any other product or service provided pursuant to this Schedule E in connection with the receipt of the Safe-T Link Services, Elavon and Company agree to the terms and conditions set forth in this Exhibit F to this Schedule E.

Elavon will provide to Company the Professional Services specified in the Statement of Work executed by both parties pursuant to this Exhibit F. As consideration for the Professional Services, Company will pay Elavon the fees or at the rates set forth in the applicable Statement of Work. In addition, Company will reimburse Elavon for all reasonable, pre-approved travel-related expenses and other out-of-pocket expenses incurred by Elavon in rendering the Professional Services. Unless otherwise specified in the Statement of Work, all amounts owed under this Exhibit F are due and payable to Elavon in U.S. dollars within 30 days of the date set forth on each invoice issued by Elavon in conjunction with each Professional Service and all fee payments are non-cancelable and non-refundable except as expressly set forth herein or in the Statement of Work.

SCHEDULE H

GOVERNMENT TERMS

The terms in this Schedule H are applicable only in the event Company (i) has selected the checkbox on the signature page of the Agreement indicating that these terms apply, and (ii) qualifies as a "government entity" or "government institution" under applicable local, state or federal law. Except as expressly modified pursuant to this schedule, all terms and conditions of the Agreement, including all other schedules and addenda to the Agreement, remain in full force and effect and will govern the relationship between Elavon and Company.

1. **Services for government entities and institutions**. The Agreement is modified as follows for government entities and institutions:

   1.1. Section 4.2. Company will have the following termination right added to the Agreement as 4.2(f):

   "(f) Company may terminate the Agreement on 60 days' prior written notice to Elavon if sufficient legislative appropriation is not available."

   1.2. Section 4.4, **Early Termination Fee**, is deleted and replaced with "Intentionally Omitted."

   1.3. Section 13.1 is revised as follows:

   "**13.1 Elavon Responsibilities.** In addition to Elavon's obligations in Section 13.5, Elavon will be responsible for and will at its own expense defend itself against any suits, claims, losses, demands or damages arising out of (a) Elavon's breach of the Agreement; (b) Elavon's or its third party contractors' gross negligence or willful misconduct; (c) Elavon's or its third party contractors' violation of applicable Laws or Payment Network Regulations; (d) Elavon's alleged infringement or other violation of a U.S. or Canada patent, copyright or trademark of a third party by the Services in the form delivered or Company's use thereof; or (e) any personal injury or real or tangible personal property damage to the extent caused by Elavon or its third party contractors."

   1.4. Section 13.2 is revised as follows:

   "**13.2 Company Responsibilities.** As between Company and Elavon, Company will be responsible for, and at its own expense, defend itself against any suits, claims, losses, demands or damages arising out of (a) any sale of goods or services resulting in a Transaction processed under the Agreement; (b) Company's breach of the Agreement; (c) all use of any user ID and password other than by Elavon or Elavon's third-party contractors; (d) Company's or its Service Providers' gross negligence or willful misconduct; (e) Company's or its Service Providers' violation of Laws or Payment Network Regulations; or (f) any personal injury or real or tangible personal property damage to the extent caused by Company or its Service Providers. Company will not make any claims against Elavon for any liabilities, claims losses, costs, expenses and demands of any kind or nature, arising out of or in connection with any of the foregoing suits, claims, losses, demands or damages."

   1.5. Sections 13.3 is deleted.

   1.6. Section 13.4 is revised as follows:

   13.4. Procedure.

   (a) If an Infringement Claim (as defined in Section 13.5) is subject to Elavon's obligations in Section 13.5 of the Agreement, Company will:

   (i) Provide Elavon prompt notice of the Infringement Claim (provided that any delay in notification will not relieve Elavon of its obligations under Section 13.5 except to the extent that the delay materially impairs its ability to fully defend the Infringement Claim);

(ii) Subject to Section 13.4(b), give Elavon the right to exercise exclusive control over the preparation and defense of the Infringement Claim, including appeals, negotiations and any settlement or compromise thereof, provided that Elavon will notify Company in writing of its election regarding the assumption of control of the preparation and defense of such Infringement Claim within 15 days following receipt of Company's written notice of such Infringement Claim, but, in any event, no later than 10 days before the date on which any written response to a complaint, summons, or other legal filing is due; and

(iii) Provide such assistance in connection with the defense and settlement of the Infringement Claim as Elavon may reasonably request, at Elavon's expense. Elavon will not enter into any settlement that imposes any liability or obligation on Company, or contains any admission or acknowledgement of wrongdoing (whether in tort or otherwise), without Company's prior written consent.

(b) Company may join in the defense, with its own counsel, at its own expense.

1.7. Section 13.5 is revised as follows:

"**13.5. Infringement Claims**.

(a) Elavon will defend Company and its employees, officers, and agents in connection with claims, actions, demands or proceedings (made or threatened) brought by a third party, and will pay the final award of damages assessed against Company, its employees, officers or agents in a final judgment by a court of competent jurisdiction, including awarded costs, or any amount in settlement or compromise authorized by Elavon in writing, arising out of Elavon's alleged infringement or other violation of a U.S. or Canada patent, copyright or trademark of a third party by the Services (but not Equipment) in the form delivered or Company's use thereof (an "Infringement Claim").

(b) If any part of the Services or the use of the Services becomes, or in Elavon's opinion is likely to become, the subject of an Infringement Claim, and as a result of such Infringement Claim Company's use of the Services may be enjoined or interfered with, then Elavon will, at its option and expense, either, and in addition to defending Company and paying the final amount of damages as provided for in this section, (i) obtain a license for Company to continue using the alleged infringing component(s) of the Services; (ii) modify the alleged infringing component(s) of the Services to avoid the infringement in a manner that still permits the Services to perform in all material respects in accordance with the Agreement; or (iii) replace the alleged infringing component(s) of the Services with compatible, functionally equivalent, and non-infringing component(s). Elavon will use commercially reasonable efforts to accomplish the remedies identified in this section in a manner that minimizes the disruption to Company's business operations. If Elavon is not able to accomplish the above remedies within a commercially reasonable time frame and on commercially reasonable terms, Elavon may terminate the Agreement upon written notice to Company. Upon such termination, Elavon will promptly refund any fees paid for Services not performed as of the date of termination.

(c) Elavon will have no liability for any Infringement Claim to the extent caused by (i) access to or use of the Services other than as specified under the Agreement and the related Documentation, (ii) combination or use of the Services with non-Elavon products or services (whether or not provided to Company by Elavon), (iii) any hardware, devices, software, services or other resources not provided by Elavon, (iv) failure or refusal by Company to install, implement or use any Update or correction provided by Elavon, (v) modification or alteration of the Services by anyone other than Elavon without Elavon's prior written consent, (vi) Company's goods or services, or (vii) the negligence, gross negligence or willful misconduct of, or breach of the Agreement by, Company.

(d) THIS SECTION 13.5 SETS FORTH THE EXCLUSIVE REMEDY OF COMPANY AND THE SOLE AND COMPLETE LIABILITY OF ELAVON WITH RESPECT TO ANY INFRINGEMENT CLAIMS."

1.8. Section 18.2, **Jurisdiction and Venue; Governing Laws**, is deleted and replaced with "Intentionally Omitted."

1.9. Section 18.3, **Exclusivity**, is deleted and replaced with "Intentionally Omitted."

1.10. Section 1.8(b) of Schedule D, **Financial Information**, is revised as follows:

"**1.8(b) Financial Information**. At Elavon's request, Company will provide Elavon audited financial statements prepared by an independent certified public accountant selected by Company, or if Company is audited by a governmental authority, then Company will provide financial statements from such governmental authority. Within 120 days after the end of each fiscal year (or in the case of a government entity, when available), Company will furnish Elavon, as requested, a financial statement of profit and loss for the fiscal year and a balance sheet as of the end of the fiscal year, each audited as provided above. Company will also provide Elavon such interim financial statements and other information as Elavon may request from time to time."

2. Elavon Fee Collection Models

2.1. Direct Debit Fee Collection Model. If Company elects the Direct Debit fee collection model on Schedule B, then Section 6.1 of the Agreement will remain unchanged and in full force and effect.

2.2. Invoice Fee Collection Model. If Company elects and is approved for the invoice fee collection model on Schedule B, then the second sentence of Section 6.1 of the Agreement is deleted and replaced with the following:

"Such fees will be calculated once each month for the previous month's activity. Elavon will send Company an invoice reflecting the fees due, which Company will pay within 30 days of the invoice date. In addition to all other available remedies, Elavon may offset any outstanding or uncollected amounts that are more than 90 days past due from (i) any amounts it would otherwise be obligated to deposit into the DDA and (ii) any other amounts Elavon may owe Company under the Agreement."

Exceptions/Clarifications to State of Nebraska RFP 6656 Z1

Elavon, Inc., a wholly owned subsidiary of U.S. Bank National Association ("Elavon"), agrees to the terms, conditions and specifications contained in the credit card processing portion RFP as noted herein and in the Proposal provided that the parties also execute Elavon's Master Services Agreement and applicable Schedules (the "Elavon Agreement"). Areas of conflict between the Elavon Agreement and the RFP have been identified below or in the Proposal. The Payment Networks require that Elavon enter into agreements with its merchants containing specific provisions mandated by the Payment Network Regulations, which provisions are not included in the RFP. Therefore, in the event that Elavon is the successful bidder, Elavon will require that the parties include the terms of the Elavon Agreement in substantially the same form as submitted herewith, in the final contract and will, in good faith, work and negotiate with the State toward a resolution of all conflicting items.

While this bid is being submitted jointly, Elavon is committing solely to the credit card transaction processing provisions of the RFP and will require that the parties enter into Elavon's Agreement for the provision of such services. U.S. Bank National Association will provide the banking functions under its current agreement with the State (for so long as U.S Bank is the State's designated banking depository).

In certain instances Elavon may, through its various sales channels, submit more than one response to this RFP. While Elavon's exceptions to the legal terms and conditions of the RFP may be similar, the remainder of the bid and pricing issues will differ due to the independent responses prepared by each sales channel.

RFP Section	Exception/Clarification
I(M)	For clarification, while the Elavon fees will remain fixed, to the extent pricing is dependent upon pass through items such as interchange, assessments or third party fees, such items will be passed through when received.
I(O)	To the extent the State desires to terminate the agreement for cause, Elavon requests 30 days' notice and an opportunity to cure.
III(K)	Elavon is committed to keeping its services useable and clear for all individuals. Elavon follows Web Content Accessibility Guidelines (WCAG) 2.0 Level AA. Some services and products offered are not fully WCAG compliant. Elavon's services are, however, functionally compliant and Elavon is committed to improving WCAG compliance. Elavon's servicing team will promptly respond to any concerns related to accommodations for users with disabilities.
IV(G)	The State remains responsible for any chargebacks, assessments, fines, charges or third party fees that are received post-termination for transactions processed prior to termination.
V(C)(1), V(D)(1)(E), FR 13	All banking services and requirements will be provided by U.S. Bank under its current agreement with the State. Elavon is depositing the funds in to the bank accounts designated by the State.
V(C)(2)(b)	For clarification, Elavon does not sell cardholder information. The use of such information is governed by Section 9.2(d)(iv) of the Elavon Agreement.

V(E)(3)	Due to the fact that invoicing chargebacks and card reversals is a manual process, Elavon will not agree to this procedure. Elavon will debit for reversals and chargebacks as it does for other State agencies today.
V(E)(7)(a)	As the current provider, no new terminals are required. Elavon will only provide free equipment under the Elavon Managed Service Fee program.
V(I)	To clarify, with regard to the first sentence, Elavon will provide annual on-site meetings, and biweekly webex meetings when required.
VI(A)(1)(b)	To the best of Elavon's knowledge, there is no material action, suit or proceeding pending or threatened which if decided adversely would impair Elavon's ability to carry on its business substantially as now conducted or which would adversely affect Elavon's financial condition or operations. For further information regarding certain current matters, please consult the most recent 10-K and 10-Q for Elavon's parent company
VI(A)(1)(c)	Elavon does not respond to questions regarding its mergers and acquisitions activity. Any response to this question could constitute a selective disclosure of material nonpublic information under the U.S. securities laws.

Attachments: Elavon Master Services agreement, applicable Schedules

BIDDER MUST COMPLETE THE FOLLOWING

By signing this Request for Proposal for Contractual Services form, the bidder guarantees compliance with the procedures stated in this Solicitation, and agrees to the terms and conditions unless otherwise indicated in writing and certifies that contractor maintains a drug free work place.

Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

_X__ NEBRASKA CONTRACTOR AFFIDAVIT: Bidder hereby attests that bidder is a Nebraska Contractor. "Nebraska Contractor" shall mean any bidder who has maintained a bona fide place of business and at least one employee within this state for at least the six (6) months immediately preceding the posting date of this Solicitation.

_____ I hereby certify that I am a Resident disabled veteran or business located in a designated enterprise zone in accordance with Neb. Rev. Stat. § 73-107 and wish to have preference, if applicable, considered in the award of this contract.

_____ I hereby certify that I am a blind person licensed by the Commission for the Blind & Visually Impaired in accordance with Neb. Rev. Stat. §71-8611 and wish to have preference considered in the award of this contract.

FORM MUST BE SIGNED USING AN INDELIBLE METHOD OR DOCUSIGN

FIRM:	U.S. Bank/Elavon
COMPLETE ADDRESS:	Two Concourse Pkwy. Suite 800, Atlanta, Ga. 30328
TELEPHONE NUMBER:	800.226.9332
DATE:	
SIGNATURE:	8-10-2021
TYPED NAME & TITLE OF SIGNER:	Greer Almquist, Vice President | Government Banking

II. TERMS AND CONDITIONS

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			**For clarification, the Elavon Agreement will be included as an Addendum to the Contract Award.**

The contract resulting from this solicitation shall incorporate the following documents:

1. Request for Proposal and Addenda;
2. Amendments to the solicitation;
3. Questions and Answers;
4. Contractor's proposal (Solicitation and properly submitted documents);
5. The executed Contract and Addendum One to Contract, if applicable; and,
6. Amendments/Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment or addenda, in case of any conflict between the incorporated documents, the documents shall govern in the following order of preference with number one (1) receiving preference over all other documents and with each lower numbered document having preference over any higher numbered document: 1) Amendment to the executed Contract with the most recent dated amendment having the highest priority, 2) executed Contract and any attached Addenda, 3) Amendments to solicitation and any Questions and Answers, 4) the original solicitation document and any Addenda, and 5) the Contractor's submitted Proposal.

Any ambiguity or conflict in the contract discovered after its execution, not otherwise addressed herein, shall be resolved in accordance with the rules of contract interpretation as established in the State of Nebraska.

B. NOTIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Contractor and State shall identify the contract manager who shall serve as the point of contact for the executed contract.

Communications regarding the executed contract shall be in writing and shall be deemed to have been given if delivered personally, electronically or mailed, by U.S. Mail, postage prepaid, return receipt requested, to the parties at their respective addresses set forth below, or at such other addresses as may be specified in writing by either of the parties. All notices, requests, or communications shall be deemed effective upon personal delivery or five (5) calendar days following deposit in the mail.

Either party may change its address for notification purposes by giving notice of the change, and setting forth the new address and an effective date.

C. BUYER'S REPRESENTATIVE

The State reserves the right to appoint a Buyer's Representative to manage [or assist the Buyer in managing] the contract on behalf of the State. The Buyer's Representative will be appointed in writing, and the appointment document will specify the extent of the Buyer's Representative authority and responsibilities. If a Buyer's Representative is appointed, the Contractor will be provided a copy of the appointment document, and is expected to cooperate accordingly with the Buyer's Representative. The Buyer's Representative has no authority to bind the State to a contract, amendment, addendum, or other change or addition to the contract.

D. GOVERNING LAW (Statutory)

Notwithstanding any other provision of this contract, or any amendment or addendum(s) entered into contemporaneously or at a later time, the parties understand and agree that, (1) the State of Nebraska is a sovereign state and its authority to contract is therefore subject to limitation by the State's Constitution, statutes, common law, and regulation; (2) this contract will be interpreted and enforced under the laws of the State of Nebraska; (3) any action to enforce the provisions of this agreement must be brought in the State of Nebraska per state law; (4) the person signing this contract on behalf of the State of Nebraska does not have the authority to waive the State's sovereign immunity, statutes, common law, or regulations; (5) the indemnity, limitation of liability, remedy, and other similar provisions of the final contract, if any, are entered into subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity; and, (6) all terms and conditions of the final contract, including but not limited to the clauses concerning third party use, licenses, warranties, limitations of liability, governing law and venue, usage verification, indemnity, liability, remedy or other similar provisions of the final contract are entered into specifically subject to the State's Constitution, statutes, common law, regulations, and sovereign immunity.

The Parties must comply with all applicable local, state and federal laws, ordinances, rules, orders, and regulations.

E. BEGINNING OF WORK

The awarded bidder shall not commence any billable work until a valid contract has been fully executed by the State. The awarded bidder will be notified in writing when work may begin.

F. AMENDMENT

This Contract may be amended only in writing, within scope, upon the agreement of both parties.

G. CHANGE ORDERS OR SUBSTITUTIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the solicitation. Changes may involve specifications, the quantity of work, or such other items as the State may find necessary or desirable. Corrections of any deliverable, service, or work required pursuant to the contract shall not be deemed a change. The Contractor may not claim forfeiture of the contract by reasons of such changes.

The Contractor shall prepare a written description of the work required due to the change and an itemized cost sheet for the change. Changes in work and the amount of compensation to be paid to the Contractor shall be determined in accordance with applicable unit prices if any, a pro-rated value, or through negotiations. The State shall not incur a price increase for changes that should have been included in the Contractor's proposal, were foreseeable, or result from difficulties with or failure of the Contractor's proposal or performance.

No change shall be implemented by the Contractor until approved by the State, and the Contract is amended to reflect the change and associated costs, if any. If there is a dispute regarding the cost, but both parties agree that immediate implementation is necessary, the change may be implemented, and cost negotiations may continue with both Parties retaining all remedies under the contract and law.

In the event any product is discontinued or replaced upon mutual consent during the contract period or prior to delivery, the State reserves the right to amend the contract or purchase order to include the alternate product at the same price.

*****Contractor will not substitute any item that has been awarded without prior written approval of SPB*****

H. VENDOR PERFORMANCE REPORT(S)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The State may document any instance(s) of products or services delivered or performed which exceed or fail to meet the terms of the purchase order, contract, and/or solicitation specifications. The State Purchasing Bureau may contact the Vendor regarding any such report. Vendor performance report(s) will become a part of the permanent record of the Vendor.

I. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon agrees to provide prompt written notice to the State if Elavon materially breaches the contract.**

If Contractor breaches the contract or anticipates breaching the contract, the Contractor shall immediately give written notice to the State. The notice shall explain the breach or potential breach, a proposed cure, and may include a request for a waiver of the breach if so desired. The State may, in its discretion, temporarily or permanently waive the breach. By granting a waiver, the State does not forfeit any rights or remedies to which the State is entitled by law or equity, or pursuant to the provisions of the contract. Failure to give immediate notice, however, may be grounds for denial of any request for a waiver of a breach.

J. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon will agree to the first option in the cost of cover language (before the tem "OR") as in the current agreement.**

Either Party may terminate the contract, in whole or in part, if the other Party breaches its duty to perform its obligations under the contract in a timely and proper manner. Termination requires written notice of default and a thirty (30) calendar day (or longer at the non-breaching Party's discretion considering the gravity and nature of the default) cure period. Said notice shall be delivered by Certified Mail, Return Receipt Requested, or in person with proof of delivery. In case of default of the Contractor, the State may contract the service from other sources and hold the Contractor responsible for any excess cost occasioned thereby. OR In case of breach by the Contractor, the State may, without unreasonable delay, make a good faith effort to make a reasonable purchase or contract to purchased goods in substitution of those due from the contractor. The State may recover from the Contractor as damages the difference between the costs of covering the breach. Notwithstanding any clause to the contrary, the State may also recover the contract price together with any incidental or consequential damages defined in UCC Section 2-715, but less expenses saved in consequence of Contractor's breach.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

K. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon requests 30 days' notice and opportunity to cure a breach, as is set forth in Section II(J) above.**

Allowing time to cure or the acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party, including, but not limited to the right to immediately terminate the contract for the same or a different breach, or constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

L. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

If any term or condition of the contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the contract did not contain the provision held to be invalid or illegal.

M. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**With regard to paragraphs 1 and 2, please see Elavon's infringement indemnity in Section 1.7 of Schedule H to the Elavon agreement.**

1. **GENERAL**
The Contractor agrees to defend, indemnify, and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials ("the indemnified parties") from and against any and all third party claims, liens, demands, damages, liability, actions, causes of action, losses, judgments, costs, and expenses of every nature, including investigation costs and expenses, settlement costs, and attorney fees and expenses ("the claims"), sustained or asserted against the State for personal injury, death, or property loss or damage, arising out of, resulting from, or attributable to the willful misconduct, negligence, error, or omission of the Contractor, its employees, subcontractors, consultants, representatives, and agents, resulting from this contract, except to the extent such Contractor liability is attenuated by any action of the State which directly and proximately contributed to the claims.

2. **INTELLECTUAL PROPERTY (Optional)**
The Contractor agrees it will, at its sole cost and expense, defend, indemnify, and hold harmless the indemnified parties from and against any and all claims, to the extent such claims arise out of, result from, or are attributable to, the actual or alleged infringement or misappropriation of any patent, copyright, trade secret, trademark, or confidential information of any third party by the Contractor or its employees, subcontractors, consultants, representatives, and agents; provided, however, the State gives the Contractor prompt notice in writing of the claim. The Contractor may not settle any infringement claim that will affect the State's use of the Licensed Software without the State's prior written consent, which consent may be withheld for any reason.

   If a judgment or settlement is obtained or reasonably anticipated against the State's use of any intellectual property for which the Contractor has indemnified the State, the Contractor shall, at the Contractor's sole cost and expense, promptly modify the item or items which were determined to be infringing, acquire a license or licenses on the State's behalf to provide the necessary rights to the State to eliminate the infringement, or provide the State with a non-infringing substitute that provides the State the same functionality. At the State's election, the actual or anticipated judgment may be treated as a breach of warranty by the Contractor, and the State may receive the remedies provided under this solicitation.

3. **PERSONNEL**
The Contractor shall, at its expense, indemnify and hold harmless the indemnified parties from and against any claim with respect to withholding taxes, worker's compensation, employee benefits, or any other claim, demand, liability, damage, or loss of any nature relating to any of the personnel, including subcontractor's and employees, provided by the Contractor.

4. **SELF-INSURANCE**
The State of Nebraska is self-insured for any loss and purchases excess insurance coverage pursuant to Neb. Rev. Stat. § 81-8,239.01 (Reissue 2008). If there is a presumed loss under the

provisions of this agreement, Contractor may file a claim with the Office of Risk Management pursuant to Neb. Rev. Stat. §§ 81-8,829 – 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (§81-8,294), Tort (§81-8,209), and Contract Claim Acts (§81-8,302), as outlined in Neb. Rev. Stat. § 81-8,209 et seq. and under any other provisions of law and accepts liability under this agreement to the extent provided by law.

5. The Parties acknowledge that Attorney General for the State of Nebraska is required by statute to represent the legal interests of the State, and that any provision of this indemnity clause is subject to the statutory authority of the Attorney General.

N. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

In the event of any litigation, appeal, or other legal action to enforce any provision of the contract, the Parties agree to pay all expenses of such action, as permitted by law and if ordered by the court, including attorney's fees and costs, if the other Party prevails.

O. PERFORMANCE BOND

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor will be required to supply a bond executed by a corporation authorized to contract surety in the State of Nebraska, payable to the State of Nebraska, which shall be valid for the life of the contract to include any renewal and/or extension periods. The amount of the bond must be $500,000. The bond will guarantee that the Contractor will faithfully perform all requirements, terms and conditions of the contract. Failure to comply shall be grounds for forfeiture of the bond as liquidated damages. Amount of forfeiture will be determined by the agency based on loss to the State. The bond will be returned when the contract has been satisfactorily completed as solely determined by the State, after termination or expiration of the contract.

P. LIQUIDATED DAMAGES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon will agree to the liquidating damages provisions contained in the current agreement.**

The State and the contractor agree that actual damages from a failure to perform certain requirements in any contract executed pursuant to this RFP are difficult to accurately estimate, that there has been a reasonable effort by parties to fix the amount of compensation that is due under the contract, and that it is possible to identify an amount of liquidated damages for the failure to perform those requirements that is proportionate to the actual damages that the State would anticipate as a result of the failure.

In lieu of actual damages, the State and the contractor shall agree to a schedule of fees for failure to perform certain requirements in any contract executed pursuant to this RFP.

The following is the required schedule of liquated damages in the form of fees for failure to perform certain requirements.

These fees are categorized as follows:

Standard	$ 2,000.00 per 24 hours
High	$ 5,000.00 per 24 hours
Critical	$10,000.00 per 24 hours

Liquidated damages may be charged by the State under this paragraph for each day or partial day the contractor fails to perform or comply with certain requirements in the contract, other than failures caused by the State or circumstances beyond the control of the contractor or their agents (natural disasters, etc.)

1. **ACCEPTANCE OF CREDIT CARD BATCHES**
   Upon being notified by a State Agency that Contractor was not able to accept credit card transaction batches/files (by any method used by State Agencies to transmit files/batches), Contractor will either resolve the situation within two (2) hours so the credit card transaction batches/files can be received from the State or pay liquidated damages.
   Category: Critical

2. **ABILITY TO ACCESS DAILY SETTLEMENT REPORT**
   Upon being notified by the State that daily settlement reports are unavailable, Contractor will either resolve the situation within two (2) hours so reconciliation of deposits can be done or pay liquidated damages.
   Category: High

3. **ABILITY TO ACCESS DAILY BANK REPORTING INFORMATION**
   Upon being notified by the State that daily bank information reports prior day balance reports, current day balance reports, and comma-separated value (CSV) exports are unavailable, Contractor will either resolve the situation within four hours and make all required reports available to State staff or pay liquidated damages.
   Category: High

4. **CUSTOMER SERVICE**
   Upon being notified by the State that Contractor’s customer service is unable to resolve terminal, authorization or transmission issues, the Contractor will resolve the issue(s) within four (4) hours or pay liquidated damages.
   Category: High

5. **SENDING/RECEIVING OF WIRES**
   Upon being notified by the State that Contractor is unable to send wires/receive wires on behalf of the State, Contractor will either resolve the situation within four hours after being notified or pay liquidated damages.
   Category: Standard

6. **RFP REQUIRED REPORTING**

Within three (3) business days of Contractor being notified by the State, reports not provided by Contractor will be made available to the State or contractor will pay liquidated damages.
Category: Standard

As to any liquidated damages owing hereunder, Contractor will pay liquidated damages to State by the tenth (10th) Business Day of the month following the month that the damages were reported to the Contractor. The State has 60 days after the incident to contact the Contractor to pay liquidated damages.

7. **UNRESOLVED REQUIREMENTS**
All Standard and High category requirements will move to Critical level of liquidated damages if not resolved within 48 hours after notification to the Contractor.

All Critical category requirements will double in liquidated damages payment if not resolved with 24 hours after notification to the Contractor.

Q. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld.
The Contractor retains the right to enter into a sale, merger, acquisition, internal reorganization, or similar transaction involving Contractor’s business. Contractor agrees to cooperate with the State in executing amendments to the contract to allow for the transaction. If a third party or entity is involved in the transaction, the Contractor will remain responsible for performance of the contract until such time as the person or entity involved in the transaction agrees in writing to be contractually bound by this contract and perform all obligations of the contract.

R. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS OF THE STATE OR ANOTHER STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	Elavon agrees with the first paragraph of this section.

The Contractor may, but shall not be required to, allow any state agency, board, commission, the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska, to use this contract. The terms and conditions, including price, of the contract may not be amended. The State shall not be contractually obligated or liable for any contract entered into pursuant to this clause. A listing of Nebraska political subdivisions may be found at the website of the Nebraska Auditor of Public Accounts.

The Contractor may, but shall not be required to, allow other states, agencies or divisions of other states, or political subdivisions of other states to use this contract. The terms and conditions, including price, of this contract shall apply to any such contract, but may be amended upon mutual consent of the Parties.

The State of Nebraska shall not be contractually or otherwise obligated or liable under any contract entered into pursuant to this clause. The State shall be notified if a contract is executed based upon this contract.

S. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Neither Party shall be liable for any costs or damages, or for default resulting from its inability to perform any of its obligations under the contract due to a natural or manmade event outside the control and not the fault of the affected Party ("Force Majeure Event"). The Party so affected shall immediately make a written request for relief to the other Party, and shall have the burden of proof to justify the request. The other Party may grant the relief requested; relief may not be unreasonably withheld. Labor disputes with the impacted Party's own employees will not be considered a Force Majeure Event.

T. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

All materials and information provided by the Parties or acquired by a Party on behalf of the other Party shall be regarded as confidential information. All materials and information provided or acquired shall be handled in accordance with federal and state law, and ethical standards. Should said confidentiality be breached by a Party, the Party shall notify the other Party immediately of said breach and take immediate corrective action.
It is incumbent upon the Parties to inform their officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a (i)(1), which is made applicable by 5 U.S.C. 552a (m)(1), provides that any officer or employee, who by virtue of his/her employment or official position has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

U. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon agrees to this provision except in Section 2, change 30 to 60 days (as is in the current agreement). For Section 3(i), Elavon requests 60 days' notice in the event funding is no longer available.**

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract at any time.

2. The State, in its sole discretion, may terminate the contract for any reason upon 30 calendar day's written notice to the Contractor. Such termination shall not relieve the Contractor of warranty or other service obligations incurred under the terms of the contract. In the event of termination the Contractor shall be entitled to payment, determined on a pro rata basis, for products or services satisfactorily performed or provided.

3. The State may terminate the contract immediately for the following reasons:

   a. if directed to do so by statute;
   b. Contractor has made an assignment for the benefit of creditors, has admitted in writing its inability to pay debts as they mature, or has ceased operating in the normal course of business;
   c. a trustee or receiver of the Contractor or of any substantial part of the Contractor's assets has been appointed by a court;
   d. fraud, misappropriation, embezzlement, malfeasance, misfeasance, or illegal conduct pertaining to performance under the contract by its Contractor, its employees, officers, directors, or shareholders;
   e. an involuntary proceeding has been commenced by any Party against the Contractor under any one of the chapters of Title 11 of the United States Code and (i) the proceeding has been pending for at least sixty (60) calendar days; or (ii) the Contractor has consented, either expressly or by operation of law, to the entry of an order for relief; or (iii) the Contractor has been decreed or adjudged a debtor;
   f. a voluntary petition has been filed by the Contractor under any of the chapters of Title 11 of the United States Code;
   g. Contractor intentionally discloses confidential information;
   h. Contractor has or announces it will discontinue support of the deliverable; and,
   i. In the event funding is no longer available.

V. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Upon contract closeout for any reason the Contractor shall within 30 days, unless stated otherwise herein:

1. Transfer all completed or partially completed deliverables to the State;
2. Transfer ownership and title to all completed or partially completed deliverables to the State;
3. Return to the State all information and data, unless the Contractor is permitted to keep the information or data by contract or rule of law. Contractor may retain one copy of any information or data as required to comply with applicable work product documentation standards or as are automatically retained in the course of Contractor's routine back up procedures;
4. Cooperate with any successor Contactor, person or entity in the assumption of any or all of the obligations of this contract;
5. Cooperate with any successor Contactor, person or entity with the transfer of information or data related to this contract;
6. Return or vacate any state owned real or personal property; and,
7. Return all data in a mutually acceptable format and manner.

Nothing in this Section should be construed to require the Contractor to surrender intellectual property, real or personal property, or information or data owned by the Contractor for which the State has no legal claim.

III. CONTRACTOR DUTIES

A. INDEPENDENT CONTRACTOR / OBLIGATIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**For clarification, depending upon the services selected, Elavon already has in place third party providers to perform certain services for all of its merchants (for example, a provider for supplies i.e. paper rolls). As a result, Elavon reserves the right to replace such providers, as Elavon deems necessary and prudent. See Section 16.3 of the Elavon Agreement.** **While we welcome the input of the State with regard to all Elavon employees, Elavon reserves the right to promote or reassign its personnel, as we deem necessary in our business operations.**

It is agreed that the Contractor is an independent contractor and that nothing contained herein is intended or should be construed as creating or establishing a relationship of employment, agency, or a partnership.

The Contractor is solely responsible for fulfilling the contract. The Contractor or the Contractor's representative shall be the sole point of contact regarding all contractual matters.

The Contractor shall secure, at its own expense, all personnel required to perform the services under the contract. The personnel the Contractor uses to fulfill the contract shall have no contractual or other legal relationship with the State; they shall not be considered employees of the State and shall not be entitled to any compensation, rights or benefits from the State, including but not limited to, tenure rights, medical and hospital care, sick and vacation leave, severance pay, or retirement benefits.

By-name personnel commitments made in the Contractor's proposal shall not be changed without the prior written approval of the State. Replacement of these personnel, if approved by the State, shall be with personnel of equal or greater ability and qualifications.

All personnel assigned by the Contractor to the contract shall be employees of the Contractor or a subcontractor, and shall be fully qualified to perform the work required herein. Personnel employed by the Contractor or a subcontractor to fulfill the terms of the contract shall remain under the sole direction and control of the Contractor or the subcontractor respectively.

With respect to its employees, the Contractor agrees to be solely responsible for the following:

1. Any and all pay, benefits, and employment taxes and/or other payroll withholding;
2. Any and all vehicles used by the Contractor's employees, including all insurance required by state law;
3. Damages incurred by Contractor's employees within the scope of duties under the contract;
4. Maintaining Workers' Compensation and health insurance that complies with state and federal law and submitting any reports on such insurance to the extent required by governing law;
5. Determining the hours to be worked and the duties to be performed by the Contractor's employees; and,
6. All claims on behalf of any person arising out of employment or alleged employment (including without limit claims of discrimination alleged against the Contractor, its officers, agents, or subcontractors or subcontractor's employees)

If the Contractor intends to utilize any subcontractor, the subcontractor's level of effort, tasks, and time allocation should be clearly defined in the bidder's proposal. The Contractor shall agree that it will not utilize any subcontractors not specifically included in its proposal in the performance of the contract without the prior written authorization of the State.

The State reserves the right to require the Contractor to reassign or remove from the project any Contractor or subcontractor's employees.

Contractor shall insure that the terms and conditions contained in any contract with a subcontractor does not conflict with the terms and conditions of this contract.

The Contractor shall include a similar provision, for the protection of the State, in the contract with any subcontractor engaged to perform work on this contract.

B. EMPLOYEE WORK ELIGIBILITY STATUS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor is required and hereby agrees to use a federal immigration verification system to determine the work eligibility status of employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of an employee.

If the Contractor is an individual or sole proprietorship, the following applies:

1. The Contractor must complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at http://das.nebraska.gov/materiel/purchasing.html

2. The completed United States Attestation Form should be submitted with the solicitation response.

3. If the Contractor indicates on such attestation form that he or she is a qualified alien, the Contractor agrees to provide the US Citizenship and Immigration Services documentation required to verify the Contractor's lawful presence in the United States using the Systematic Alien Verification for Entitlements (SAVE) Program.

4. The Contractor understands and agrees that lawful presence in the United States is required and the Contractor may be disqualified or the contract terminated if such lawful presence cannot be verified as required by Neb. Rev. Stat. §4-108.

C. COMPLIANCE WITH CIVIL RIGHTS LAWS AND EQUAL OPPORTUNITY EMPLOYMENT / NONDISCRIMINATION (Statutory)

The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State of Nebraska, and their subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §§48-1101 to 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for goods and services to be covered by any contract resulting from this solicitation.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Contractor may be required to work with or in close proximity to other contractors or individuals that may be working on same or different projects. The Contractor shall agree to cooperate with such other contractors or individuals and shall not commit or permit any act which may interfere with the performance of work by any other contractor or individual. Contractor is not required to compromise Contractor's intellectual property or proprietary information unless expressly required to do so by this contract.

E. PERMITS, REGULATIONS, LAWS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The contract price shall include the cost of all royalties, licenses, permits, and approvals, whether arising from patents, trademarks, copyrights or otherwise, that are in any way involved in the contract. The Contractor shall obtain and pay for all royalties, licenses, and permits, and approvals necessary for the execution of the contract. The Contractor must guarantee that it has the full legal right to the materials, supplies, equipment, software, and other items used to execute this contract.

F. OWNERSHIP OF INFORMATION AND DATA / DELIVERABLES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon cannot give the State unlimited right to publish data, which is confidential pursuant to PCI DSS. Further, Elavon retains all rights in its confidential proprietary information, as is set forth in Section 5 of the Elavon Agreement.**

The State shall have the unlimited right to publish, duplicate, use, and disclose all information and data developed or obtained by the Contractor on behalf of the State pursuant to this contract.

The State shall own and hold exclusive title to any deliverable developed as a result of this contract. Contractor shall have no ownership interest or title, and shall not patent, license, or copyright, duplicate, transfer, sell, or exchange, the design, specifications, concept, or deliverable.

G. INSURANCE REQUIREMENTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**With regard to subcontractors retained to provide services solely to the State, Elavon agrees to provide items either 2 or 3 below. Additionally, in sections 1 and 2, delete “take out and.” In section (3), last sentence, change “a new coverage binder” to “a new certificate of insurance.”**

The Contractor shall throughout the term of the contract maintain insurance as specified herein and provide the State a current Certificate of Insurance/Acord Form (COI) verifying the coverage. The Contractor shall not commence work on the contract until the insurance is in place. If Contractor subcontracts any portion of the Contract the Contractor must, throughout the term of the contract, either:

1. Provide equivalent insurance for each subcontractor and provide a COI verifying the coverage for the subcontractor;
2. Require each subcontractor to have equivalent insurance and provide written notice to the State that the Contractor has verified that each subcontractor has the required coverage; or,
3. Provide the State with copies of each subcontractor’s Certificate of Insurance evidencing the required coverage.

The Contractor shall not allow any Subcontractor to commence work until the Subcontractor has equivalent insurance. The failure of the State to require a COI, or the failure of the Contractor to provide a COI or require subcontractor insurance shall not limit, relieve, or decrease the liability of the Contractor hereunder.

In the event that any policy written on a claims-made basis terminates or is canceled during the term of the contract or within ninety (90) days of termination or expiration of the contract, the contractor shall obtain an extended discovery or reporting period, or a new insurance policy, providing coverage required by this contract for the term of the contract and ninety (90) days following termination or expiration of the contract.

If by the terms of any insurance a mandatory deductible is required, or if the Contractor elects to increase the mandatory deductible amount, the Contractor shall be responsible for payment of the amount of the deductible in the event of a paid claim.

Notwithstanding any other clause in this Contract, the State may recover up to the liability limits of the insurance policies required herein.

1. **WORKERS' COMPENSATION INSURANCE**

The Contractor shall take out and maintain during the life of this contract the statutory Workers' Compensation and Employer's Liability Insurance for all of the contactors' employees to be engaged in work on the project under this contract and, in case any such work is sublet, the Contractor shall require the Subcontractor similarly to provide Worker's Compensation and Employer's Liability Insurance for all of the Subcontractor's employees to be engaged in such work. This policy shall be written to meet the statutory requirements for the state in which the work is to be performed, including Occupational Disease. **The policy shall include a waiver of subrogation in favor of the State. The COI shall contain the mandatory COI subrogation waiver language found hereinafter**. The amounts of such insurance shall not be less than the limits stated hereinafter. For employees working in the State of Nebraska, the policy must be written by an entity authorized by the State of Nebraska Department of Insurance to write Workers' Compensation and Employer's Liability Insurance for Nebraska employees.

2. **COMMERCIAL GENERAL LIABILITY INSURANCE AND COMMERCIAL AUTOMOBILE LIABILITY INSURANCE**

The Contractor shall take out and maintain during the life of this contract such Commercial General Liability Insurance and Commercial Automobile Liability Insurance as shall protect Contractor and any Subcontractor performing work covered by this contract from claims for damages for bodily injury, including death, as well as from claims for property damage, which may arise from operations under this contract, whether such operation be by the Contractor or by any Subcontractor or by anyone directly or indirectly employed by either of them, and the amounts of such insurance shall not be less than limits stated hereinafter.

The Commercial General Liability Insurance shall be written on an **occurrence basis**, and provide Premises/Operations, Products/Completed Operations, Independent Contractors, Personal Injury, and Contractual Liability coverage. **The policy shall include the State, and others as required by the contract documents, as Additional Insured(s). This policy shall be primary, and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory**. **The COI shall contain the mandatory COI liability waiver language found hereinafter.** The Commercial Automobile Liability Insurance shall be written to cover all Owned, Non-owned, and Hired vehicles.

REQUIRED INSURANCE COVERAGE	
COMMERCIAL GENERAL LIABILITY	
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal/Advertising Injury	$1,000,000 per occurrence
Bodily Injury/Property Damage	$1,000,000 per occurrence
Damage to Rented Premises (Fire)	$300,000 each occurrence
Contractual	Included
Independent Contractors	Included
If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.	
WORKER'S COMPENSATION	
Employers Liability Limits	$500K/$500K/$500K
Statutory Limits- All States	Statutory - State of Nebraska
Voluntary Compensation	Statutory
COMMERCIAL AUTOMOBILE LIABILITY	
Bodily Injury/Property Damage	$1,000,000 combined single limit
Include All Owned, Hired & Non-Owned Automobile liability	Included
UMBRELLA/EXCESS LIABILITY	
Over Primary Insurance	$5,000,000 per occurrence
PROFESSIONAL LIABILITY	
All Other Professional Liability (Errors & Omissions)	$1,000,000 Per Claim / Aggregate
COMMERCIAL CRIME	
Crime/Employee Dishonesty Including 3rd Party Fidelity	$1,000,000 Aggregate
CYBER LIABILITY	
Breach of Privacy, Security Breach, Denial of Service, Remediation, Fines and Penalties	$10,000,000 Aggregate
MANDATORY COI SUBROGATION WAIVER LANGUAGE	
"Workers' Compensation policy shall include a waiver of subrogation in favor of the State of Nebraska."	
MANDATORY COI LIABILITY WAIVER LANGUAGE	
"Commercial General Liability & Commercial Automobile Liability policies shall name the State of Nebraska as an Additional Insured and the policies shall be primary and any insurance or self-insurance carried by the State shall be considered secondary and non-contributory as additionally insured."	

3. EVIDENCE OF COVERAGE

The Contractor shall furnish the Contract Manager, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

Agency Nebraska State Purchasing Bureau
Attn: Annette Walton
Solicitation Number: 6556 Z1 / Contract # XXXXX O4
Email address: annette.walton@nebraska.gov

These certificates or the cover sheet shall reference the RFP number, and the certificates shall include the name of the company, policy numbers, effective dates, dates of expiration, and amounts and types of coverage afforded. If the State is damaged by the failure of the Contractor to maintain such insurance, then the Contractor shall be responsible for all reasonable costs properly attributable thereto.

Reasonable notice of cancellation of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder shall be submitted immediately to ensure no break in coverage.

4. **DEVIATIONS**

The insurance requirements are subject to limited negotiation. Negotiation typically includes, but is not necessarily limited to, the correct type of coverage, necessity for Workers' Compensation, and the type of automobile coverage carried by the Contractor.

W. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor hereby assigns to the State any and all claims for overcharges as to goods and/or services provided in connection with this contract resulting from antitrust violations which arise under antitrust laws of the United States and the antitrust laws of the State.

X. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			**Contractor is committed to keeping our products and services usable and clear for all individuals. Contractor follows Web Content Accessibility Guidelines (WCAG) 2.0 Level AA. Some products and services offered are not fully WCAG compliant. The products and services: however, are functionally compliant and Contractor is committed to improving WCAG compliance. Our servicing team will promptly respond to any concerns related to accommodations for users with disabilities. For more information, please contact, Greer Almquist, your relationship manager.**

By submitting a proposal, bidder certifies that no relationship exists between the bidder and any person or entity which either is, or gives the appearance of, a conflict of interest related to this RFP or project.

Bidder further certifies that bidder will not employ any individual known by bidder to have a conflict of interest nor shall bidder take any action or acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its contractual obligations hereunder or which creates an actual or appearance of conflict of interest.

If there is an actual or perceived conflict of interest, bidder shall provide with its proposal a full disclosure of the facts describing such actual or perceived conflict of interest and a proposed mitigation plan for consideration. The State will then consider such disclosure and proposed mitigation plan and either approve or reject as part of the overall bid evaluation.

Y. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

The Contractor agrees not to refer to the contract award in advertising in such a manner as to state or imply that the company or its goods or services are endorsed or preferred by the State. Any publicity releases pertaining to the project shall not be issued without prior written approval from the State.

Z. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Statutory)

Contractor shall review the Nebraska Technology Access Standards, found at http://nitc.nebraska.gov/standards/2-201.html and ensure that products and/or services provided under the contract are in compliance or will comply with the applicable standards to the greatest degree possible. In the event such standards change during the Contractor's performance, the State may create an amendment to the contract to request the contract comply with the changed standard at a cost mutually acceptable to the parties.

AA. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			**Please see the U.S. Bancorp Enterprise Resiliency Program Overview and the U.S. Bancorp ISO 22301.**

The Contractor shall have a disaster recovery and back-up plan, which includes, but is not limited to equipment, personnel, facilities, and transportation, in order to continue delivery of goods and services as specified under the specifications in the contract in the event of a disaster. The Contractor shall provide an ISO 22301 providing additional disaster recovery information.

BB. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Contractor certifies it maintains a drug free work place environment to ensure worker safety and workplace integrity. Contractor agrees to provide a copy of its drug free workplace policy at any time upon request by the State.

CC. WARRANTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
		JJ	**Elavon agrees that, if necessary, it will perform services again at no cost to the State. However, once transaction-processing services are completed, Elavon will not agree to refund the fees paid for such services.**

Despite any clause to the contrary, the Contractor represents and warrants that its services hereunder shall be performed by competent personnel and shall be of professional quality consistent with generally accepted industry standards for the performance of such services and shall comply in all respects with the requirements of this Agreement. For any breach of this warranty, the Contractor shall, for a period of ninety (90) days from performance of the service, perform the services again, at no cost to Customer, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse Customer the fees paid to Contractor for the unsatisfactory services. The rights and remedies of the parties under this warranty are in addition to any other rights and remedies of the parties provided by law or equity, including, without limitation actual damages, and, as applicable and awarded under the law, to a prevailing party, reasonable attorneys’ fees and costs.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Statutory)

Neb. Rev. Stat. §§81-2403 states, "[n]o goods or services shall be deemed to be received by an agency until all such goods or services are completely delivered and finally accepted by the agency."

A. TAXES (Statutory)

The State is not required to pay taxes and assumes no such liability as a result of this solicitation. The Contractor may request a copy of the Nebraska Department of Revenue, Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption, Form 13 for their records. Any property tax payable on the Contractor's equipment which may be installed in a state-owned facility is the responsibility of the Contractor

B. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			**For clarification, Elavon will agree to invoice the few State agencies that require invoicing, provided the State is responsible for such agencies. Other participants would be directly debited as is industry standard.**

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. The terms and conditions included in the Contractor's invoice shall be deemed to be solely for the convenience of the parties. No terms or conditions of any such invoice shall be binding upon the State, and no action by the State, including without limitation the payment of any such invoice in whole or in part, shall be construed as binding or estopping the State with respect to any such term or condition, unless the invoice term or condition has been previously agreed to by the State as an amendment to the contract.

The State Treasurer's Office will work with the contractor and the State agencies to set up the payment process for merchant fees. The State Treasurer will require that most State agencies' merchant fees be debited from the State bank account. A few State agencies require an invoice instead of being debited.

Bidder may not, under any circumstances, propose the netting of merchant fees or the withholding of revenue out of daily batch settlements for any services.

C. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

D. PAYMENT (Statutory)

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within Solicitation Response (Initial)	NOTES/COMMENTS:
JJ			

Payment will be made by the responsible agency in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §81-2403). The State may require the Contractor to accept payment by electronic means such as ACH deposit. In no event shall the State be responsible or liable to pay for any goods and services provided by the Contractor prior to the Effective Date of the contract, and the Contractor hereby waives any claim or cause of action for any such services.

E. LATE PAYMENT (Statutory)

The Contractor may charge the responsible agency interest for late payment in compliance with the State of Nebraska Prompt Payment Act (See Neb. Rev. Stat. §§81-2401 through 81-2408).

F. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS (Statutory)

The State's obligation to pay amounts due on the Contract for a fiscal years following the current fiscal year is contingent upon legislative appropriation of funds. Should said funds not be appropriated, the State may terminate the contract with respect to those payments for the fiscal year(s) for which such funds are not appropriated. The State will give the Contractor written notice 30 calendar days prior to the effective date of termination. All obligations of the State to make payments after the termination date will cease. The Contractor shall be entitled to receive just and equitable compensation for any authorized work which has been satisfactorily completed as of the termination date. In no event shall the Contractor be paid for a loss of anticipated profit.

G. RIGHT TO AUDIT (Statutory)

The State shall have the right to audit the Contractor's performance of this contract upon a 30 days' written notice. Contractor shall utilize generally accepted accounting principles, and shall maintain the accounting records, and other records and information relevant to the contract (Information) to enable the State to audit the contract. (Neb. Rev. Stat. §84-304 et seq.) The State may audit and the Contractor shall maintain, the Information during the term of the contract and for a period of five (5) years after the completion of this contract or until all issues or litigation are resolved, whichever is later. The Contractor shall make the Information available to the State at Contractor's place of business or a location acceptable to both Parties during normal business hours. If this is not practical or the Contractor so elects, the Contractor may provide electronic or paper copies of the Information. The State reserves the right to examine, make copies of, and take notes on any Information relevant to this contract, regardless of the form or the Information, how it is stored, or who possesses the Information. Under no circumstance will the Contractor be required to create or maintain documents not kept in the ordinary course of contractor's business operations, nor will contractor be required to disclose any information, including but not limited to product cost data, which is confidential or proprietary to contractor.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this solicitation.

A. PROJECT OVERVIEW

The State Treasurer's Office is requesting proposals for payment card acceptance, processing, and support services for State Agencies including governmental entities and political subdivisions that wish to participate.

Response
U.S. Bank/Elavon understands.

B. PROJECT ENVIRONMENT

As of March 2021, there are approximately 299 merchant identification numbers (MIDs) used to accept transactions via the internet or terminals. All figures provided in the RFP represent a historical count of credit and debit card transactions processed by the State. These figures are not a guarantee of future transaction counts.

Exhibit 1 provides transaction counts and dollars processed per agency for 2019 and the fees paid.

Exhibit 2 provides transaction counts, dollars processed, and fees paid per agency for all of 2020 along with the number of Merchant Identification Numbers (MIDs). The State Treasurer's Office will be the point of contact for all daily banking functions and implementation of the services for any state agency, board, commission, the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska.

Exhibit 3 illustrates the State agency transaction counts and dollars by card type for all of 2020. 2020 numbers are not a true representation of the State's merchant activity as a result of the global pandemic and the subsequent closures and cancellations.

Response
U.S. Bank/Elavon understands.

C. BUSINESS REQUIREMENTS

1. COLLATERAL REQUIREMENTS

The contractor shall be responsible to meet State statute requirements for collateralization of State deposits. References to collateralization requirements are found in Neb. Rev. Stat. §§ 77-2387, 77-2389, 77-2395, and 77-2398. Collateral requirements are applicable to all State Agency accounts. Market value of securities shall be 102 percent of the ledger balance. The State requires a statement of collateral from the bank and the holding company provided on a calendar month basis. The statement shall be received by the Treasurer's Office no later than the 15th of the month for the previous month ending market value. The agreement for collateral arrangements must require the signature of an authorized Treasury Management representative before collateral for the State can be released. Other collateral options are a Letter of Credit and the Pooled Method for Collateral with Nebraska Bankers Insurance and Services Company.

Collateral requirements are required for the maximum daily ledger balance and are required to be pledged at 102% of that balance. Following are the highest monthly balances from January 2020 to December 2020.

January 2020	$1,873,667
February 2020	$1,434,534
March 2020	$2,735,399
April 2020	$ 894,143
May 2020	$ 937,639
June 2020	$1,187,250
July 2020	$ 893,915
August 2020	$1,554,886
September 2020	$1,188,531
October 2020	$ 815,149
November 2020	$1,254,813
December 2020	$ 751,312

Separate collateral requirements are required for Nebraska Child Support Payment Center's bank account. The following is the highest monthly balance from January 2020 to December 2020. If a daily transfer would occur there would not be a need for additional collateral on a daily basis. However, due to the proposed cost of a wire transfer collateral could be required.

January 2020	$179,691
February 2020	$167,007
March 2020	$130,029
April 2020	$123,626
May 2020	$143,862
June 2020	$118,488
July 2020	$127,992
August 2020	$145,365
September 2020	$161,378
October 2020	$151,104
November 2020	$224,719
December 2020	$178,357

Response
U.S. Bank/Elavon understands.

2. BUSINESS REQUIREMENTS

Bidder must acknowledge agreement and ability to comply with all business requirements listed. Bidder must also indicate if the following sub-sections a – g are provided by the bidder.

a. The bidder should be a member of Visa and/or MasterCard Card Association.

b. The contractor must not sell or use cardholder information, including names and addresses, for purposes other than those agreed upon in writing with the State Treasurer's Office.

c. The contractor must keep the State, University, State Colleges, cities, counties, and political subdivisions educated in advance of all up-coming changes to the rules and regulations that would affect the State, University, State Colleges, cities, counties, and other political subdivisions by providing training or materials related to the update, or new rules and regulations.

d. The contractor should also proactively approach the State, University, State Colleges, cities, counties, and other political subdivisions regarding managing and minimizing transaction rates/fees via email.

e. PAYMENT OF MERCHANT FEES

The State Treasurer's Office will work with the contractor and the State Agencies, University and State Colleges to set up the payment of merchant fees. The State Treasurer will require that most state agency, board, commission, the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska merchant fees be debited from the State account. University Campuses will require an invoice rather than an account debit.

f. Currently the State uses 450 credit card terminals. A list of current terminals being used is listed in Attachment A.

Response
U.S. Bank/Elavon acknowledges agreement and complies with all business requirements listed.

D. SCOPE OF WORK

The following information provides a description of the project and additional State and University specific requirements. The contractor must work with current vendors of the State Agencies, University and State Colleges and discuss any issues or concerns that may arise during transition or implementation.

1. BASIC REQUIREMENTS

a. Credit and debit card acceptance and processing

b. Support services for credit and debit cards

c. Online reporting services

d. Acceptance for MasterCard, Visa, Discover and American Express cards. Not all agencies accept Discover and/or American Express.

e. Next day settlement and availability of funds

f. National Automated Clearing House Association (NACHA) Customer Initiated Entry (CIE), Cash Concentration or Disbursement plus Addendum (CCD+) or Prearranged Payment or Deposit plus Addendum (PPD+) formatted receipt files are used to populate agency database tables

g. Real time processing

Response
U.S. Bank/Elavon agrees to work with the current vendors of the State agencies as we do today.

E. CURRENT PROJECT ENVIRONMENT

1. NEBRASKA CHILD SUPPORT PAYMENT CENTER (NCSPC)

Current Process:
NCSPC payments for credit card transactions are shown on the contractor's previous day reporting provided the payment was processed by 11 PM CT. The credits are reflected as a Miscellaneous Credit(s) for each merchant ID.

Receipt information made on the NCSPC website is entered by the payor and redirected to the contractor's website and transmitted to the processor. A report of the previous day's payments are retrieved from the contractor's website and contains an excel spreadsheet with the totals and payors' information (name, phone number, and Agency Related Person(ARP) ID) and a text file is retrieved from the website in a NACHA CIE format that populates database tables within KidCare.

The automated phone system processes (IVR) payments in a similar manner. The payor is assigned a unique bank card ID which identifies his/her payor information. Once the system has identified the payor, they can proceed to enter credit card information. NCSPC employees log into the contractor's website to retrieve credit card payment information for credit card transactions made by phone. Kiosk bank card payments are also retrieved on the website and the CIE file is downloaded in the same manner as web and IVR payments.

NCSPC also receives receipts from payments taken by a collection representative. The representative uses a credit card terminal to get immediate approval on the payment. These amounts are later reconciled to the settlement report credited the following day from the terminal the card was processed on and the contractor's previous day's bank reporting. The NCSPC also uses a web portal for bank card items that will be applied towards bad debt. NCSPC employees retrieve an xml file containing all recovery payments and bank credits made via the web portal the following business day.

The day the funds are received from the contractor and the data is gathered from the terminal and the contractor's website, the payments are posted through KidCare Queue Manager and given the proper effective date. The amounts on prior day reporting are compared with the data downloaded into KidCare, statements from the processor and the settlement reports generated by the lone terminal.

NCSPC charges a 2.49% surcharge for web, phone and Kiosk credit card transactions; however, the surcharge does not apply on debit card transactions and the surcharge is waived when payments are made via the terminal and recovery web portal.

2. NEBRASKA DEPARTMENT OF CORRECTIONS

Current Process:
The Department of Corrections currently uses JPay, Inc. (now Securus Technologies) as a vendor to send money to an incarcerated person in a Nebraska Correctional facility. The sender will log into the JPay website and enter the credit card information to send money to the incarcerated. A fee for the transaction is added and used by JPay, Inc. for merchant fees.

JPay sends a daily report to the Treasurer's Office for the money settled the previous day. A settlement report is pulled in the current processor's online solution and balanced to the JPay, Inc. report. Cybersource is used by JPay, Inc. to connect to the current processor.

Response
U.S. Bank/Elavon understands.

3. NEBRASKA DEPARTMENT OF REVENUE

Current Process:
The Nebraska Department of Revenue (DOR) uses two card payment origination vendors, Official Payments, a service of ACI Payments, Inc. and Brown Paper Tickets. Each vendor provides a portal to individuals or entities making credit and debit card payments to DOR. The card systems allow taxpayers to schedule card payments via a website or an IVR interface to enter basic payment related information.

DOR accepts Visa, MasterCard, Discover and American Express cards. The card systems transmit payments to the processor for authorization and processing with funds settling to an account at the direction of the State Treasurer. Additionally, electronic files containing payment card transactions are transmitted to DOR in a NACHA standard CCD+ or PPD+ format. These files will not include any reversal transactions. The vendors also provide a daily report of detailed payment transaction information by Merchant ID with the settlement date. File and reports must be made available for DOR to pick up through FTP via Secure Socket Layer by 5:00 AM CT on the day following the effective settlement time.
Card reversals or chargebacks are not to be debited through the banking system. The following steps are to be taken in situations regarding card payments reversals or chargebacks.
The processor must notify DOR in writing or through a website interface before any action is taken associated with a card payment reversal or chargeback. DOR contact information will be provided during implementation.
The notification from the processor must contain the original payment transaction information.
DOR will research the payment to determine that the payment has not been refunded and will then send a notice of approval authorizing the processor to invoice DOR for the amount of the payment (net of fees).
DOR will process the invoice and generate a payment to the processor.

Response
U.S. Bank/Elavon understands.

4. NEBRASKA GAME & PARKS COMMISSION

Current Process:
NGPC currently has over 57 merchant IDs and 145 POYNT credit card terminals (model P3303-B Cellular, and P3303 Wireless and Internet) at various locations across the State and one external gas pump Gilbarco Passport Fuel System; with an indoor Ingenico terminal at the cash register. In addition to credit card terminals three MIDs use Converge (the current contractor's hosted payment solution) and two use CyberSource as the Gateway. The terminals must settle at a 11:59 pm., (Central and Mountain Time).

NGPC uses POYNT.net to review all locations via an HTML dashboard. Configurable settings ensure the use of virtual terminals, reports, and electronic receipts. Each location is unique and may have 20 or more users logging into a MID, each with unique user ID and passcode. Refunds through the POYNT device are possible via the dashboard or the device that processed the original transaction. Refunds may be less than the original transaction but may not be more than the original transaction. Refunds may be processed through the dashboard by NGPC management.

Transactions processed through a website may be reviewed through Converge HTML dashboard or the current contractor's online information portal. Configurable settings ensure fraud protection, refund processing, and reporting capabilities. Chargeback functionality is processed through the current contractor's chargeback case management online system.

There are two restaurants that collect tips with the final sale.

NGPC accepts credit cards in person and online for permits, reservations and other services. Visa, MasterCard and Discover are the current card brands.

The five websites that function with their own MID:

https://ngpc-home.ne.gov/ = Permits – Converge (current contractor's hosted payment solution)
https://nebraskastateparks.reserveamerica.com/ = Reservations System - CyberSourse
https://simplecirc.com/subscribe/nebraskaland-magazine = NEBRAKSAland Magazine - Converge
https://apm.activecommunities.com/ngpc = Class registration and Facility rental - CyberSouce
https://ngpc-m.ne.gov/mpub/fs/login.xhtml = Mobile Permits - Converge (current contractor's hosted payment solution)

NGPC contracts with the following vendors and processes with the current contractor:

Aspira (Reserve America) CyberSource

State of Nebraska Permit System (Permitting System) Converge (current contractor's hosted payment solution)

Gilbarco Passport Fuel System (Gas Pump at Lewis and Clark) Heartland Chicago Platform

Active Network (Class registration and Facility rental) CyberSource

SimpleCirc (NEBRASKAland Magazine) Converge (current contractor's hosted payment solution)

a. Aspira Reservation System

NGPC must have the ability to process credit cards in real time. The Reservation System application currently interfaces with Cybersource for real time processing on behalf of the NGPC.

b. Permit and Mobile Permit System

The contractor must have the capability to allow the merchant to simultaneously process routine electronic credit card transactions. The contractor must have a hosted payment page that is secure and handles the entire transaction process: payment information collection, sensitive data protection, and transaction security. Credit card data shall be encrypted from the public web as well as the credit card terminals. Virtual terminals and online transactions are required to completely tokenize and encrypt sensitive data and replace it with a randomly generated, unique placeholder. System must allow a process for auto renewal of permits. Hosted checkout page shall be configurable and easily integrated into the Permit system website.

c. **Fuel Services**

Lewis and Clark State Recreation Area accepts credit cards at the fuel pump and inside the marina. The State Recreation Area (SRA) only uses one pump. The fuel system used at Lewis and Clark is a Gilbarco Passport Single Pay Point System (E-POS) system.

d. **Active Network (class registration and facility rental)**

Nebraska Game and Parks Commission, Outdoor Education Center is using Active Network as the Class and Facility rental software using CyberSource Payment Gateway Solution.

e. **SimpleCirc (NEBRASKAland Magazine)**

The contractor must have a hosted payment page that is secure and handles the entire transaction process: payment information collection, sensitive data protection, and transaction security. Credit card data shall be encrypted from the public web as well as the credit card terminals. Virtual terminals and online transactions are required to completely tokenize and encrypt sensitive data satisfying PCI DSS compliance requirements and replace it with a randomly generated unique placeholder. System must allow a process for auto renewal of magazine subscriptions. Hosted checkout page shall be configurable and easily integrated into the SimpleCirc.

Response
U.S. Bank/Elavon understands.

5. **UNIVERSITY OF NEBRASKA CAMPUSES**

Current Process:
University of Nebraska campuses accept credit cards in person and online for non-tuition goods and services. A variety of terminals are used in addition to multiple gateways and integrated POS systems to connect with the State's current payment processor. Terminals are equipped with a combination of authentication, encryption and tokenization while satisfying PCI DSS compliance requirements. Current card brands accepted at the campuses include but are not limited to; Visa, MasterCard, Discover and American Express. Credit card processing is not confined to campus locations, but may occur throughout Nebraska, with County Extension Offices.

Response
U.S. Bank/Elavon understands.

6. **NEBRASKA INTERACTIVE, LLC. D/B/A NIC Nebraska**

Current Process:
Pursuant to the Nebraska Records Management Act, the State Records Board has an agreement with Nebraska Interactive, LLC dba NIC Nebraska to be a whole service provider of electronic government services, which includes the development of applications for citizens and businesses to facilitate electronic access to information and services. NIC Nebraska provides the State with a flexible solution for electronic payment processing through multiple channels, using the State's awarded bidder. NIC Nebraska makes it possible for the State to provide user friendly electronic services allowing citizens and businesses to pay statutory and regulatory fees. The awarded bidder is

required to work with NIC Nebraska to process payments from these services. The services provided to State Agencies are listed in Exhibit 4.

NIC Nebraska manages the State's administrative systems, including but not limited to: billing, accounts receivable and accounts payable and online and electronic payment processing capabilities using the awarded bidder. NIC Nebraska processes credit, debit card, subscriber services and other electronic payment transactions for the State, which are then deposited into a bank account selected by the State Treasurer. In the event of a chargeback, NIC Nebraska works with agencies and the processor to recover any funds. The services provided by NIC Nebraska are valuable assets creating efficiencies and allowing the State Treasurer's Office to provide better customer service to its constituents.

Response

U.S. Bank/Elavon understands.

7. NEBRASKA STATE TREASURER – TREASURY MANAGEMENT

Current Process:

The State Treasurer's office requires the contractor to provide a daily Comma Separated Value (CSV) export of the designated bank account prior day activity by 8 AM CT, minimally including the date, account number and amounts. This file will be imported into the State ERP system as a part of an automated daily reconciliation process unique to the State. The State requires this information to be exported from an online-solution application.

EQUIPMENT

Attachment A shows a list of current terminals. Currently the State use approximately 450 card terminals with a security solution that features a combination of authentication, encryption and tokenization while satisfying PCI DSS compliance requirements. In 2020 State Agencies, University and State Colleges purchased new credit card terminals which have PCI PTS certification of 5.x or 6.x, with a current approved expiration of April 2026 for 6.x certification. If the current contractor is not able to allow the Agencies, University or State Colleges to use current terminals, the vendor must provide new card terminals at no additional cost. All functionality of the terminal will be of equal or greater capability along with 6.x certification.

a. HOSTED PAYMENT PAGE

State Agencies use the current contractor's hosted payment solution to accept and process transactions quickly and securely. The payment page must be used for website, in-person or mobile environments.

b. PAYMENT GATEWAYS

Below are some of the selected payment environments. While this is not a complete list, it represents various environments in which payment processing occurs across the State of Nebraska. The State will not pay conversion costs on any accounts (i.e., creating necessary software VAR/Tear information, building and/or testing of transmission files).

- Authorize.net
- Braintree
- CardConnect
- CASHNet
- Cybersource
- Monetra

Payflow Link
Payment Express
PayPal

c. INCIDENT ESCALATION

If an issue of any severity is not being resolved, the State designee may request the issue be escalated to higher management. Escalation at the contractor's level may include:

i. Assign more (or different) staff resources to work through the issue(s);

Notification of the contractor's senior management of the outstanding issue(s) and/or;

Changing the technological resources assigned to the project (such as adding emergency server/network capacity).

Response
U.S. Bank/Elavon understands.

F. TECHNICAL REQUIREMENTS

Each bidder must respond to all technical requirements listed in Attachment A. Attachment A must be used by the bidder to provide detailed responses on their ability to meet all the requirements of the project and provide examples of reporting layouts.

Response
U.S. Bank/Elavon understands and complies.

G. PROJECT PLANNING AND MANAGEMENT

The contractor will work with the State Treasurer's office to finalize the implementation process. Weekly calls will be necessary to track the progress of the implementation. After implementation is completed a new call schedule between the contractor and the State Treasurer's Office will be determined to work through any issues.

The contractor must work with the State Treasurer's office on all issues related to contract management. Requirements including monthly reporting of credit card transactions as listed in FR 10 d. Annual review of the contract, rules and regulations updates, and new services

Response
U.S. Bank/Elavon understands and will work with the State as we do today.

H. PROPOSED RESOLUTION

The contractor will work with State staff to research and correct problems throughout the entire contract.

Response
U.S. Bank/Elavon will continue to work with you to resolve any issues or concerns as we do today.

I. PROVIDE POST IMPLEMENTATION SUPPORT

The State will require post implementation support via on-site visits and weekly or monthly calls. Technical support will also be required. 24/7/365 customer support via an 800 number shall be provided post implementation.

Response
Our Project Management team, led by your Relationship Manager Greer Almquist, will continue to work with you regarding support if implementations are required.

J. DELIVERABLES

The contractor shall debit the bank account(s) provided to the contractor for monthly fees, which includes processing, interchange, authorization and merchant fees the first day of the month following the end of the prior month.

Response
As the incumbent, we will continue to provide you with all information as required.

Our accounting system allows each merchant account to have up to three demand deposit accounts (DDA), each nominated for the following uses:

- Deposits/settlements
- Billing/fees
- Chargebacks

Response

We also provide 24/7 customer support team through our Knoxville Tennessee and Denver Colorado call centers, along with trained staff and supervisors for escalations.

Forms

Attachment A

Forms

Form A.1

Statutory Project Requirements

Request for Proposal 6556 Z1

Bidder name: _U. S. Bank/Elavon Inc._________________________________

Part 1: Bidders are responsible to research Nebraska Revised Statues for legal responsibilities when doing business with the State. References to certain State statues and the Nebraska Constitution are listed below but are not all inclusive to the legal requirements of the contractor.

- **a.** Neb. Rev. Stat § 48-1122—Prohibition of Discrimination
- **b.** Neb. Rev. Stat § 73-205(3)—Technology Access Standards
- **c.** Neb. Rev. Stat § 73-506(2)—Service contracts with unspecified or unlimited duration
- **d.** Neb. Rev. Stat § 73-506(1)—The State cannot pay for deliverables not received
- **e.** Neb. Rev. Stat § 77-2301—The bank must be a state or national bank licensed to do business in the State and will cash State warrants free of charge
- **f.** Neb. Rev. Stat § 77-2387 to 77-2398—Collateral Requirements
- **g.** Neb. Rev. Stat § 81-2401 to 81-2408—Prompt Payment Act
- **h.** Neb. Rev. Stat § 81-118.01-Electronic Payment; acceptance; conditions
- **i.** Nebraska State Constitution, Article XIII, § 3—Prohibits indemnification and limitations of liability

Please answer the following questions with a check mark after the appropriate response. Any "No" answer may eliminate the bidder from further evaluations.

Part 2: If the bidder does not agree to provide collateralization of State deposits, the bidder will be eliminated from further evaluations.

Yes_✓__No____ Does the bidder agree, without exceptions, to meet State statute requirements for collateralization of State deposits, currently estimated at $3 million?

Part 3: One of the next three questions, must be a yes answer to continue evaluations.

Yes_✓__No_____ Does the bidder agree to provide a Letter of Credit;

Yes____No_____ Or does the bidder agree to the Pooled Method for Collateral with Nebraska Bankers Insurance and Services Company (NBISCO);

Yes____No_____Or does the bidder agree to pledge securities?

Part 4: Any no answer to the questions below will eliminate the bidder from further evaluations.

NA _✓___ **If the bidder agrees to a Letter of Credit or the Pooled Method for collateral the next two question do not apply**

Yes____No____ If the bidder is providing pledged securities do they agree, without exceptions, to provide a statement of collateral every month?

Yes____No____ Does the bidder agree, without exceptions, that collateral arrangements must require a signature of an authorized Treasury Management representative before release of collateral?

Part 5: Any no answer to the questions below will eliminate the bidder from further evaluations.

Yes_✓__No____ Is the bidder a state or national bank licensed to do business in the State of Nebraska and of approved standing and responsibility pursuant to Neb. Rev. Stat. § 77-2387(2)?

Yes_✓__No_ Does the bidder agree to cash Nebraska State Treasury warrants and warrants issued by the NCSPC free of charge and without requiring a fingerprint as required in Neb. Rev. Stat. § 77-2301(2)(a)?

Form A.2

Baseline Functional Requirements

Request for Proposal 6556 Z1

Each bidder must respond in a detailed manner how the bidder **will comply** with the following statements. This form will be part of the bidder proposal.

FR 1 – Equipment

a. **Describe the ability to allow agencies to retain current credit card terminals. Bidder must review each terminal listed below and determine if the terminal can be used, reprogrammed or will need to be replaced at no cost to the State.**

Terminal	Can be used	Needs reprogramming	If terminal cannot be used, what is the recommended replacement terminal?
iCMP	yes	no	
IDTech ISKD-534833TEB-B1	yes	no	
Ingenico (Gas Pumps)	yes	no	
Ingenico Desk 3500	yes	no	
Ingenico Desk 5000	yes	no	
Ingenico ICT 250	yes	no	
Ingenico IPP 320	yes	no	
Ingenico IPP 350	yes	no	
Ingenico ISC 250	yes	no	
Ingenico IWL 250	yes	no	
Ingenico Move 5000	yes	no	
Lane 3000	yes	no	
Poynt 3G	yes	no	
Poynt P3303 (wireless & internet)	yes	no	
Poynt P3303-B (cellular)	yes	no	
Verifone VX520	yes	no	
Verifone VX680	yes	no	

Response:
The link below will let you know the expiry date of your existing terminals and Pin Pads.

https://www.pcisecuritystandards.org/assessors_and_solutions/pin_transaction_devices?agree=true

For example:

The FD130 v.3 Expiry date was 4/30/2021. Therefore, if you needed to purchase new equipment this should have been in your planning and evaluation process of merchant providers.

Elavon Tetra Terminals and Pin Pads have an expiry date of 4/30/2026. Therefore, we provide a long runway for you to make your plans about capital investment.

b.	Describe the method in which programming updates will be provided to agencies using existing terminals at no cost. (Free programming could include truncating card numbers, accommodating any Visa/MasterCard required changes or programming for automatic or manual batch closure at predetermined times).

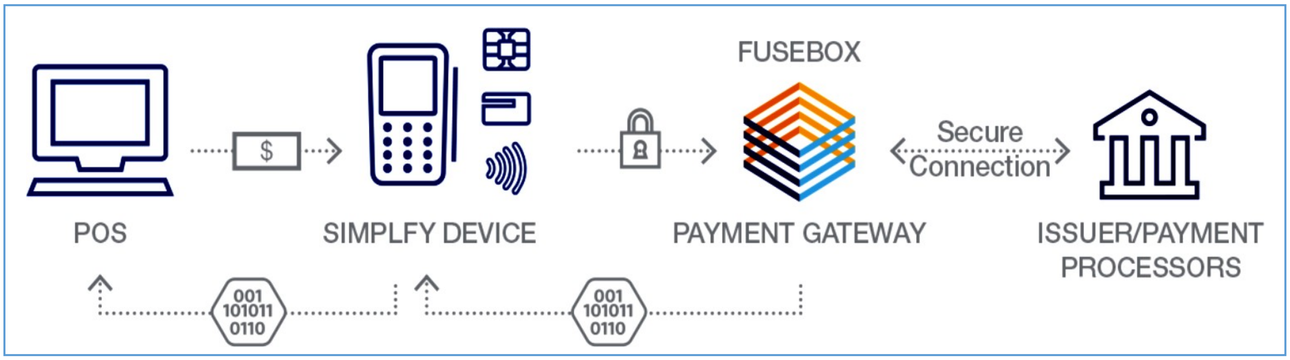
Response:
We maintain a specialized team who works with our partners at Ingenico and Verifone to ensure that our programs are utilizing the most secure coding available. When there is a critical update, we will proactively update the file on our end, and using an internal update program; will deploy this update after business hours directly to your terminals.

c.	Describe any product(s) that can be added to a terminal that would provide PCI alleviation, for example encryption and tokenization.

Response:
Simplify: Secure Software Application
Simplify-enabled terminals drive the authorization process, transmitting encrypted sensitive data to reduce risk exposure the moment a card presents itself. Simplify is a secure software application that resides on a PCI compliant payment terminal, using a semi-integrated approach to interface with a customer's point of sale (POS). A layered approach to security combines encryption, tokenization and EMV to mitigate vulnerabilities at all points in the transaction lifecycle while cardholder data is in-transit, in-use and at-rest.

Simplify securely encrypts card data (swipe, insert, tap, manually entered) at the Point of Interaction and sends the transaction to our Fusebox gateway where a token is created and returned to the payment terminal. Tokens are used in place of card data for future transactions, such as voids, refunds, recurring billing and to support other customer business processes. The EMV-enabled application uses advanced algorithms contained on a chip card to authenticate that the card is not counterfeit when it is used at the payment terminal. Within seconds, sensitive cardholder data is easily isolated from a business's payment system and the card verifies as legitimate.

Through Simplify's application programming interface (API), one can easily isolate sensitive cardholder data completely from the point of sale system and reduce card related PCI-DSS compliance headaches. Additionally, Simplify is pre-certified for EMV, which saves in time, money and complexities associated with EMV application development and direct certification to the card brands. Simplify uses remote software upgrades to ensure your software is always up-to-date.



d.	**Describe the process to exchange a defective or damaged credit card terminal purchased or provided by the contractor.**

Response:
We have maintenance/swap processes in place to handle replacement of malfunctioning terminals for merchants. Typically, we replace the malfunctioning terminal for a like terminal. Generally, we are able to send out the replacement terminal with a 24-hour turnaround.

Swaps received by our Deployment Center before 2 p.m. CT are processed the same business day. Swaps received after 2 p.m. CT are worked as quickly as possible, but may not process until the following business day.

Delivery Times are as follows:

- US - Poynt: 1-2 Business Days
- US (everything else): Next Business Day
- Canada: 1-3 Business Days

Remember that Saturday and Sunday are not business days. Holidays also do not count as business days. Note: U.S. and Canada have many holidays in common, but there are several unique holidays to their respective countries (for example, U.S. Thanksgiving is in November, but Canada's is in October). Please check the calendar if you are unsure if a holiday will have an effect on the customer's shipping.

The following items are sent with the customer's swap:

- Refurbished equipment (may have surface scratches, scuffs, or blemishes, but functions like new)
- Power Supply
- Authorization Sticker
- Units with printers will ship with one roll of paper
- PIN Pad will include the appropriate cable
- A mailing label to return the broken unit
    - US: UPS
    - Canada: UPS or FedEx (we sometimes also use Purolator for delivery but we do not use them for call tags at this time)
        - Note: The mailing address on the return label will be for Protovision/TPG, not Elavon.

Fees may apply.

Our standard terminal maintenance program provides the following:

- If the State purchases a new terminal from us, we will swap the malfunctioning terminal for a like terminal. (Fees may apply.)
- If the State has an existing terminal upon coming to us that malfunctions after setup, we will swap the malfunctioning terminal for a like terminal. (Fees will apply.)

Our Deployment Center is located in a company owned 26,000 square foot facility in Knoxville, Tennessee. Our facility provides equipment deployment, terminal programming, inventory management (both internally and in field active devices), PIN encryption, equipment testing, and repair or refurbishment. Our Deployment Center is one of the only fulfillment centers in the industry to operate 100% turnkey and has the largest repair facility in the industry licensed by all major equipment vendors to conduct in-house repairs.

e.	**Describe the availability of terminals that allow contactless payments. If any terminal listed above does not have the ability to accept contactless payments, explain how each terminal could be adapted to accept contactless payments.**

Response:
All of our terminals offer the following features and payment types:

- Credit
- PIN Debit
- Electronic Benefits Transfer (EBT)
- Supports our Gift and Loyalty program – an integrated loyalty program designed to help you attract new customers, encourage repeat buyers and create loyal relationships as well as gather and utilize consumer data
- Contactless payment capabilities providing your customers a convenient way to pay with cards, key fobs or mobile wallets
- PED-compliant PIN pads
- Supports both EMV and magnetic stripe cards
- Quick Payment Service (QPS) allowing a "No Signature" option for qualifying transactions
- Automated download feature keeps your payment application up to date with the latest enhancements
- Back-lighted keyboards for increased usability in dimly lit environments

FR 2 – Vendors or Gateways

a. Agencies use several third-party vendors for services related to credit card acceptance, most are listed below. This list is subject to change. Indicate which vendors are certified with you and provide recommendations to replace vendors not certified with the bidder.

Vendor	Certified with bidder	Vendor Recommendations
Active Network (Integrated with Cybersource)	yes	Simplify/ Fusebox
Aspira	yes	Campground/Marina POS. Integrated with Poynt
Authorize.net	yes	
Braintree	yes	Integrated through TSYS front-end
Bridgepay	yes	
Brown Paper Ticket	yes	Integrated through Auth.net, Payflow Pro
CardConnect	yes	
CashNet	yes	Through Monetra
Converge (Contractor Hosted Payment Page)	yes	
Cybersource	yes	
Cybersource (Integrated with Paciolan)	yes	
Fusebox (Contractor Solution to integrate with Micros)	yes	
Heartland Payment Systems	yes	
Official Payments	yes	
Payflow Link	yes	
Payment Express	yes	Vendor is Direct Payment Solution. This is certified to Elavon directly.
PayPal	yes	
POYNT payment solution	yes	
Salesforce/Authorize.net	yes	
SimpleCirc (integrated with contractor hosted payment page)	yes	Integrated with Converge hosted payment page
Vantive (integrated with Tessitura)	yes	Integrated through Payment Express, Direct Payment Solutions

Response: We maintain relationships and certifications with over 400 leading gateway and software providers, and we are open to project engagements with any of your solution partners not already certified to our acquiring host or gateway. Because we have the potential to integrate with many of your systems, it will save you from the complexities associated with the headache of multiple processors, which include new certifications, labor, time and implementations costs.
b. **Describe the process and timeline for a third-party vendor to certify with the bidder.**
Response: We support an array of vendor / gateway solutions. Our development, product and integration teams deliver locally distributed and/or hosted gateway components that provide our clients quality solutions to meet their processing requirements. An external test environment is established for testing transactions and settlements within the development phase. Upon completion of the integration, we will require a full test set of transactions that should yield a pre-determined set of results. Upon a successful review of the transaction sets, a certification letter is released. This process usually takes 4-6 weeks. Connectivity is established using frame, SSL, VPN, MPLS or dial. Users requiring access to the Fusebox website would require internet access and IE version 7 or above. The following provides a layout of the typical certification phases: • An Elavon representative would collect the required VAR paperwork needed for the Integration. This would include PA-DSS paperwork. • The Integration team/Solution Engineer would conduct a kickoff call to determine the project message set requirements • A document detailing the desired outcome – Functional Requirements would be created • The appropriate integration specification, utility and /or API with corresponding documentation would be released, followed by a detailed specification review • Introduce Certification analyst- • Create a sandbox for certification allowing the developer to access the certification environment 24/7 - this is unattended testing – creation and refinement of the messaging. Create a script to exercise the new code that mimics a typical production day • Integration- begin coding • VAR/Integration-tests code which includes transaction testing • Complete testing and lists the VAR in boarding • Process and review the transactions • Provide corrective instruction/ • Provide Certification letter • Schedule production

FR 3 – Merchant Identification Number Set Up	
a.	**Describe the process to request a new MID. Provide an example of the set-up form or a checklist of all requirements. How often does this form change? Describe how the State is notified once the form has changed, and how.**
Response: The boarding of new MIDs can vary, depending on the number of locations included in the request. Mysta Bosse, your operational account executive, will be responsible for setting up or adding new locations. When additional locations are requested, you will be asked to provide business information for the new set up such as the doing business as (DBA) name, forecasted annual volume and average ticket size, seasonal characteristics, and method of processing, as well as the address, phone, fax, email and contact information along with demand deposit account (DDA) information.	
b.	**Describe the average time from when the request is received to the time the MID is ready for use.**

Response: The add location fulfillment process will follow the same schedule as a new customer, and a merchant category code (MCC) is assigned as part of the underwriting process. You will be notified of MCC assignment, but typically the MCC used is pre-filled by you on the add location paperwork. The typical timeline to open a new Merchant ID is three to five business days.	
c.	**Describe the process to make changes on a MID. Include changing signers on the MID, address changes and adding card brands.**
Response: The add location fulfillment process will follow the same schedule as a new customer, and a merchant category code (MCC) is assigned as part of the underwriting process. You will be notified of MCC assignment, but typically the MCC used is pre-filled by you on the add location paperwork.	
d.	**Describe the ability to set up merchant ID at no cost to the State.**
Response: We perform this process today at no cost to the State.	

FR 4 – Online access for Merchant Activity

a. **Describe the secure online solution to view merchant activity.**

Response:

MerchantConnect/PC 365

You can monitor your account around the clock from any web browser through U.S. Bank/Elavon's online account access tools. Gain the benefits of real-time customer service, without having to pick up the phone.

Our solutions for reporting include:

- <u>MerchantConnect – Online Reporting Tool</u>
  - MerchantConnect supports delivery of authorization, settlement, chargeback, interchange qualification, adjustment/reject and additional reporting via our online tool for viewing and/or exporting. This allows you to view a year's worth of reporting information on multiple MIDs and "drill down" into your data to view batches of transactions grouped by card type or batch reference number. Hierarchical reporting allows you to aggregate data from multiple locations.
- <u>Automated Customer Service (ACS)/PC365 – SFTP file</u>
  - ACS supports delivery of authorization, settlement, chargeback, adjustment/reject and additional reporting via raw data files. For large customers with multiple distribution channels or complex reporting hierarchies that require specialized reporting capabilities, our ACS raw data reports provide detail, which is easily importable to external applications for additional data management and reporting.
- <u>Billing Statements</u>
  - Images of statements are available within reporting solutions and/or via hard copy, at individual and/or corporate (chain) levels.
- ***<u>Online Case Management (OCM)</u>*** solution allows you to easily receive, view, respond to and manage all your chargeback and retrieval activity through this optional service available with our MerchantConnect Premium reporting tool. With the advanced technology of our OCM solution, you have the flexibility to direct how cases are handled, dynamically manage workflow and streamline responses. OCM is a comprehensive workflow management solution that allows you to prioritize and manage case activity.

Our state-of-the-art solution features a daily summary of case activity as well as automated alerts that allow you to monitor your cases based on preferences you set, including new chargeback and retrieval cases, status updates, high value amounts, and case aging. OCM supports the ability to browse to find and then upload an image or document into the tool.

b. **Describe hardware requirements to access the online solution for merchant services.**

Response:
The Converge Virtual Terminal works on PC and Apple computing devices. Anyone with a desktop computer or laptop can run a transaction using the Converge Virtual Terminal by logging into his or her Converge account. Converge works best on Chrome and Microsoft Edge.

Converge Hardware
PIN Pads
Ingenico Link/2500 PIN Pad
Ingenico iSC250 Signature-Capture PIN Pad
Ingenico iPP320 Compact PIN Pad
Ingenico iCMP Multi-use PIN Pad

Card Readers
Mobile Card Reader
RDM 711F Check Reader

Printers
Star TSP650II Thermal Receipt Printer
Star SM-S220i and Star SM-T300i Bluetooth Printers for Converge Mobile

Converge Mobile Hardware
Smartphone or tablet

Apple® devices with iOS 7 or higher
- iPhone®
- iPad®
- iPad Air®
- iPad mini™
- iPad Pro™
- iPad touch®

Android™ mobile smartphones and tablets operating on Google Android version 4.1 or higher

c.	**Describe the process to allow users to view merchant accounts online. Detail how the bidder sets up user access or how the State Treasurer's staff can manage users.**

Response:
Strong access and data controls are necessary to provide data confidentiality. All data processed, stored, and used by Elavon will be classified according to published guidance and protected accordingly. Systems and software are designed to allow no access by default. This ensures that proper authorization and a need-to-know are required to access cardholder and other sensitive data. Normal network access is controlled by stringent user name and password requirements including system-enforced strong passwords. Attempts to bypass these authentication methods are controlled by limiting password reuse and locking accounts after unsuccessful logon attempts. Access to critical resources is strictly controlled using strong authentication methods including two-factor authentication and two-person control.

To access a Converge account, you must be added to the system as an authorized user. The **Merchant Administrator** for an account controls the entire account.

Converge can be easily configured to ensure user access to appropriate data and reports.
You may set up multiple users with unique login information under one Converge ID. This feature allows you to grant or restrict access levels for security and accountability, and permits multiple users to work simultaneously.

d.	**Describe how user levels can be set. Example, one user can view one or two MIDs and other users can view all MIDs under the State.**

Response:
MerchantConnect
Systems and software are designed to allow no access by default. This ensures that proper authorization and a need-to-know are required to access cardholder and other sensitive data.

Converge
To access a Converge account, you must be added to the system as an authorized user. The **Merchant Administrator** for an account controls the entire account and is allowed to:

- Create users (single users and multiple users who can log in and process transactions simultaneously)
- Create hierarchy of users with similar or varying degrees of permissions and access
- Delegate the ability to manage a hierarchy of users to another user

When you have a **Merchant Administrator** to control these functions, you can manage efficiently and create a system of accountability.

e.	**Describe how chains/groups can be set up for all MIDs under one agency.**

Response:
In both our online/on-demand reporting and our Secure File Transfer Protocol (SFTP) files, we can assign at an individual MID level or access at different levels of your hierarchy. For example, by configuring MerchantConnect access to a chain level, users have access only to the merchant numbers directly connected to that chain. This allows you to give as much, or as little, access as desired to your users. In addition, you can work with Mysta Bosse, your operational account executive, to build reports containing the exact data you need, such as a comparison of qualified and unqualified interchange transactions, and charting how you may be downgrading over time.

f.	**Describe how each agency can have one chain/group that will show on reports.**

Response:
We are capable of grouping your locations together in chains and reporting the location information in chain reports. We offer customers the ability to chain-specific locations together in order to obtain reporting for those specific locations that “roll up” into that chain. By using a chain setup, you will have the ability to link multiple locations together and further link those groupings together to create the reporting hierarchy and structure you need.

g.	**Describe how to view and download monthly merchant statements and the formats available from the online solution**

Response:
Images of statements are available within the MerchantConnect platform and/or via hard copy, at individual and/or corporate (chain) levels.

All reports will be fully customizable, including layout, sequence, “templating”, localization formats for currency and times, and download formats like XLS/PDF/CSV.

Reporting is also available from the Converge User Interface (UI) for transactional data. Additional information is available through our MerchantConnect customer portal.

Reporting options include:

- Batch download option supports an XML, tab- or comma-delimited download for currently open and previously settled batches.

h.	**Merchant statements must be provided for each MID monthly, they should include, but not limited to the following information:** **i. Merchant number;** **ii. Deposit details (processing date, transaction number, batch amount, adjustments, charge backs and net amount.);** **iii. Adjustment detail: processing date, batch amount, reason, deposit correction, amount;** **iv. Authorization detail: number of transactions, amount and authorization fees per card type;** **v. Other detail: description of item, number, rate/fee and total fee due.** **Bidder should include a sample merchant statement and include a description of any information regarding fields of data on the merchant statement that are not easily identifiable. Describe options available to receive merchant statements.**
Response: We currently provide this service through our MerchantConnect platform and Converge solution.	
i.	**Describe how adjustments are reflected on the Merchant statement and provide an example.**
Response: We currently provide this service through our MerchantConnect platform and Converge solution.	
j.	**Describe the ability to email or mail invoices for merchant fees at the request of the merchant .**
Response: Billing Statements can be delivered electronically and/or by U.S. Mail.	
k.	**Describe the ability to run daily or monthly reports and export reports in an excel format.**
Response: To offer at-a-glance access, we provide our MerchantConnect platform and Converge solution. MerchantConnect allows you to view transactions and monthly statements for both individual locations and hierarchies defined by you. MerchantConnect also supports standard daily and period-end reporting that includes multiple data elements, such as qualification levels, downgrades by reason, chargebacks and exceptions. You can enter and sort by a number of criteria to create customized reports on-demand. Our reporting tools allow you to export files into CSV, XLS and PDF formats. Images of statements and hard copies are available within our reporting solutions at both the merchant and corporate chain levels.	
l.	**Describe the process to retrieve individual transaction details for integration into NGPC software systems via web service.**
Response: We currently provide this service through our MerchantConnect platform and Converge solution.	
m.	**Describe the ability to access reports and integrate into the NGPC software systems via a web service.**
Response: We currently provide this service through our MerchantConnect platform and Converge solution.	

n.	**Describe the ability to search for credit card transaction(s) or refunds by merchant number, credit card number (using a portion of the credit card number {example: first 6 and last 4 or first 4 and last 6}, dollar amount or date range. Search results must include transaction date and authorization number.**

Response:
MerchantConnect's search and reporting functions are designed to provide the information needed to manage your electronic payment activity and obtain critical information that can have an impact on your bottom line. Data can be customized based on custom dates or specific accounting calendars through our MerchantConnect customer platform. Users can also search and sort by a number of criteria, including authorization code, amount, truncated card number, batch ID, location and date settled.

o.	**Describe how to search by card number, batch number or batch total.**

Response:
Using our MerchantConnect platform, you can drill down into this detail to perform these searches. You will also have access to a dedicated support representative who can assist with any searches as well.

p.	**Describe the transaction retention period. The State requires a minimum of 13 months.**

Response:
Our billing statements are available online for up to 13 months. They are designed to facilitate ease in the reconciliation of transactions and to provide management reporting information. We offer a variety of statement types, each containing varying levels of detail.

q.	**Describe the capability to search on a date range. The range must include specific criteria such as beginning date, ending date and by a specific month. The minimum search criteria must include the time, account number, order ID, MID, transaction date, authorization number, amount, card type approvals and declines.**

Response:
Data can be customized based on custom dates or specific accounting calendars through our MerchantConnect platform. Users can also search and sort by a number of criteria, including authorization code, transaction date, amount, truncated card number, batch ID, location and date settled.

r.	**Describe the ability and the process to initiate manual authorizations and manual credits.**

Response:
Our point of sale systems can support manual authorizations and credits, returns / refunds, and voids. We would provide training on these functions during the implementation process. If the location utilizes a third party system, then these capabilities would be dependent upon the third party system.

If merchants are using our message format Encompass Version 4 in a terminal environment, we offer support of a point of sale initiated Authorization reversal. In this environment, the merchant can either utilize the Reversal functionality for the full amount of the authorization (which may be a portion or whole amount of the original amount requested), or they may send a Void request before settlement of that transaction takes place. Either will trigger our network to generate the appropriate authorization reversal message to the card association.

s.	**Describe the process to return or refund all or part of an order.**

Response:
As previously stated, if merchants are using our message format Encompass Version 4 in a terminal environment, we offer support of a point of sale initiated Authorization reversal. In this environment, the merchant can either utilize the Reversal functionality for the full amount of the authorization (which may be a portion or whole amount of the original amount requested), or they may send a Void request before settlement of that transaction takes place. Either will trigger our network to generate the appropriate authorization reversal message to the card association.

t.	Describe the ability and procedure used to void an order.

Response:
Our point of sale systems can support manual authorizations and credits, returns / refunds, and voids. We would provide training on these functions during the implementation process. If the location utilizes a third party system, then these capabilities would be dependent upon the third party system.

a. a credit card payment

Void – If the void is received in an Elavon-captured transaction batch, our system can issue a reversal to the card-issuing bank instantaneously. However, from that point, it is dependent upon the card-issuing bank on how quickly it is handled. On average, it takes 48 to 72 hours.

Refund – Typically, 48 to 72 hours from the point of batch settlement; however, this is dependent upon the issuing bank.

b. a debit card payment

Debit – Voids cannot be carried out for completed PIN Debit transactions due to the nature of the debit transaction as a one-time funds transaction. We do not allow PIN debit refunds to carry out.

For offline debit transactions, the transaction will follow the same process as outlined for credit card payments.

u.	Describe how the agency can review user access to the online solution. Allowing agency managers to view employee access and terminate access with role or staff changes.

Response:
MerchantConnect can be easily configured to ensure each user has the appropriate access level. Systems and software are designed to allow no access by default. This ensures that proper authorization and a need-to-know are required to access cardholder and other sensitive data.

Converge features a *User Rights* module, which grants administrators control over the specific accesses and permissions of a Converge user. These controls include the ability to create users, assign user rights, reset user passwords and refund payments, in addition to other functions.

Rights for initial users customize based on consultation with your entities during the implementation project.

Access to Converge is available 24/7 and requires a TLS 1.2 connection over TCPIP/IP to meet Payment Card Industry Data Security Standards (PCI DSS) and Payment Application Best Practices (PABP) requirements.

Secure access features are built into Converge, including:

- System timeouts after inactivity.
- Restricted system logins.
- Strong passwords, unique to each user.
- Required password changes every 45 days.
- Auto generated email notifications when passwords are changed.

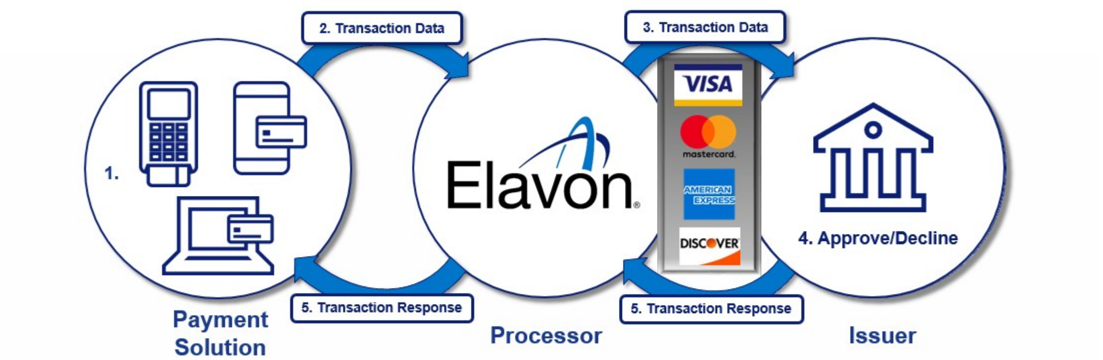
Only one login per user is allowed through Converge; thus, concurrent log in is not possible for a given user. Each user has a unique username and password combination, and the system will log a user out of their first browser session when access to their user account from another browser session is initiated. Two-factor authentication is required for access to the Converge environment. In every case, both the primary account number (PAN) and the payment message itself are encrypted, ensuring the security of the data being transmitted.

FR 5 – Transaction Batching, Authorizations, and Processing

a.	**Provide a diagram reflecting the processing of a credit card transaction beginning with the point of sale (either internet or terminal) to the deposit of funds. The diagram must indicate the functions performed by the contractor and those performed by others including subcontractors along with dates when each function occurred.**

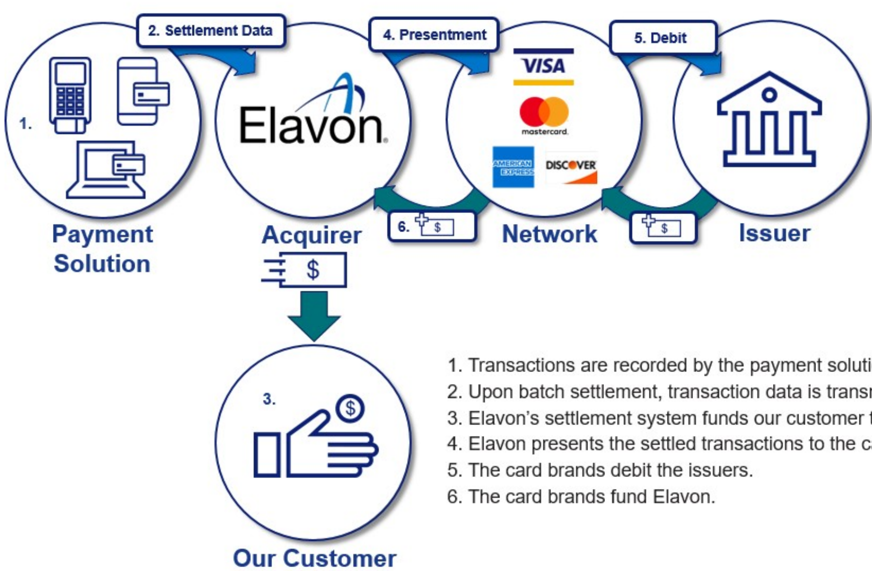
Response:
Please see the diagrams below.

Authorization



1. Transaction data is collected using a payment application or web-based solution.
2. Transaction data is encrypted and sent to Elavon's processing platform.
3. Elavon uses the payment networks to send the transaction data to the issuer for approval.
4. The issuer approves or declines the transaction.
5. The issuer's response is sent through the payment networks to Elavon, who sends the response to the payment solution.

Settlement and funding



1. Transactions are recorded by the payment solution, making up a "batch" of transactions.
2. Upon batch settlement, transaction data is transmitted to Elavon.
3. Elavon's settlement system funds our customer the amount of the settled batch.
4. Elavon presents the settled transactions to the card brands for funding.
5. The card brands debit the issuers.
6. The card brands fund Elavon.

b.	Describe available government discount rates are available and explain how the State can qualify.

Response:
U.S. Bank specializes in the service of government clients, recognizing the necessity to minimize impact to existing processing as well as assisting in the most cost-efficient method to process transactions. U.S. Bank also understands the nature of today's economy, and strives to assist our merchants to achieve more with less through innovative multipurpose products and assisting in the development of procedures to maximize processing to achieve the best transaction qualification categories. Although we approach the merchant processing of a government entity as a whole, we also scrutinize the methods and procedures that will optimize card processing and card processing security for each department that will accept credit / debit cards.

We offer government-specific experience. We offer full understanding of public sector / emerging market interchange fee programs, optimal transaction level (fee) qualifying as well as the card associations' convenience / service fee guidelines. We are also able to continue to bring these best practice solutions to you.

Government entities qualify for reduced interchange fee programs in many areas. U.S. Bank will assign dedicated resources and provide ongoing support to the State. We will ensure your new merchant accounts are set up under the appropriate industry MCC / SIC codes to qualify for the appropriate, discounted interchange fee programs where applicable (public sector / emerging market, small ticket / parking, large ticket, etc.), in order to minimize your fees.

We would also provide online reporting tools to be able to monitor transaction qualification levels to ensure the State's transactions are qualifying according to the best (lowest) available interchange fees. We can review reports like these with you, and make recommendations on how to optimize use of these reports and minimize fees.

The Interchange Qualification Report would allow you to monitor how its transactions are qualifying. For example, it shows transaction downgrades and where they are occurring. This would allow you to manage your transaction costs, in that you would be able to identify areas where transactions may not be qualifying at the best available rate.

For instance, AVS (address verification service) data is required to ensure card-not-present (non-swiped) transactions qualify at the best interchange rate. If this data is not being properly entered and transmitted with the transactions, the transactions could downgrade and be assessed at a higher interchange rate.

In addition, settlement times can determine the interchange qualification category (rate) for the transactions. Generally, as long as a transaction settles within 24 hours of the authorization, then the transaction would qualify at the best interchange qualification category available for that particular transaction type. If a transaction is not settled within 24 hours of the authorization, the transaction will "downgrade." This downgrade shows on your activity statements as Electronic Interchange Reimbursement Fee, also known as EIRF, which is an additional transaction interchange rate applied by Visa to certain transactions. A downgrade represents a transaction that did not qualify at the best available interchange rate.

We also offer a 'Card Optimization' service. Because the bulk of the overall transaction fees are not associated to our fees, but rather to the card association interchange costs, we would also suggest this service as it allows us to perform a more in depth evaluation of the interchange costs to determine where there might be potential for additional [Interchange] savings. This service can be offered to the State, even if the State was not utilizing us for the credit / debit card-processing services.

c.	**Describe any program(s) that would assist agencies to use best processing practices to avoid downgraded transactions.**

Response:
Targeted interchange qualification levels are established through a review of your past processing history, as well as industry averages. We further provide strategic account reviews on a regular basis to provide in-depth analysis and insight into your interchange usage; enabling you to manage pricing to your advantage.

We believe in solid preparation for regulatory releases in order to lower the impact of these changes to our customers. Typically, the Payment Networks will make changes two times per year to their programs. These changes may require members and acquirers to make modifications to systems and message formats in order to comply with or take advantage of new programs that benefit their respective customers.

We invest extensive technical hours per year in preparing for interchange regulatory releases; thus, ensuring that the platform is achieving results for our customers and complies with any new or updated rules. Further, while the Payment Networks consider pre-release testing as optional, as part of our release process, we always conduct vigorous pre-release testing. This consists of transmitting outgoing files to the Payment Networks to ensure proper format and to validate interchange-clearing programs. The investment of time to operate in this manner assures our customers that they will not encounter problems when release code goes into production.

We also offer a service known as Payment Optimization, where we will work with you on an ongoing basis to improve practices, offer additional levels of data to be processed, reduce your downgrade percentages, provide access to negotiated interchange rates and reduce your overall interchange costs.

d.	**Describe the ability to identify and eliminate duplicate transaction and batches, how is the notification provided? Detail how duplicate batches are handled and how notification is provided.**

Response:
Duplicate transactions occur in a case where a transaction amount and sequence number duplicates within a batch. In this case, the transaction reflects a duplicate item, and is not switched out for a subsequent authorization. If multiple transactions process for the same amount to the same card, then the point-of-sale application will simply sequence the transaction with a unique number so that the transaction can authorize.

In a case where an entire batch duplicates by a terminal-based application, then our Merchant Processing System (MPS) identifies potential duplicate transactions through daily exception reporting. All potential duplicate transactions are reviewed manually through our On-Line Suspense system. If after researching the batch it is determined to be a true duplicate, we will drop the batch and not process. If the batch is not a true duplicate, then we release it for processing.

e.	**Provide a list of all card brands supported and any details regarding those card brands.**

Response:
Card brands we support:

- Visa
- Mastercard
- American Express
- Discover
- Union Pay
- Diners Club
- JCB
- Fleet- Voyager, Wright Express, Visa and Mastercard Fleet

We can process through the following debit networks: Accel, Alaska Option, Interlink, NETS, Pulse, STAR, AFFN, CU24, Maestro, NYCE and Shazam.

f.	**Describe the batch transaction process. Detail any limitations on the number of transactions in a batch or the number of batches submitted in a day per Merchant ID Number or Merchant Chain.**

Response:
There is a limit of 9,999 items in a batch for a settlement file and a limit of 999 batches in a settlement file.

Each Terminal ID is able to process 999 settlement batches per day. We can set up multiple terminal ID's as needed.

There are no real limits to the number of files sent to our Elavon network; however, if you expect to be submitting hundreds of files per day, we would welcome the opportunity to review your requirements to see if there is a better product solution to meet your needs.

g.	**Describe the ability to offer both real time and batch processing. Provide details for both options.**

Response:
Yes, we offer real-time and batch processing.

h.	**Describe in detail what transmission methods are available. Describe what monitoring and notification processes exist if a transmission fails.**

Response:
Our network supports a wide variety of connectivity options to meet your processing needs.
- Internet processing via a secure SSL gateway
- Dedicated IP connectivity (either TCP/IP or UDP)
- High-speed connectivity up to 28.8 kbps using toll-free numbers
- Router encryption over the Internet
- MPLS (Multiprotocol Label Switching)
- Frame relay connections
- Leased lines
- Secure FTP processing
- Asynchronous dial

On our network, a transaction can authorize in 2-4 seconds using a dial-up phone line, wireless communication method or an internet communication method. Response time measures from the time we receive a transaction authorization request to the time we provide an authorization response, excluding the time dependent upon third parties, point of sale systems (including any chip card and terminal interactions) or third party delays.

The average existence time on our systems is 10-15 milliseconds. Average switch times to the Visa, Mastercard, Discover and American Express networks range from 30-60 milliseconds. It is common for customers with a dedicated connection to experience less than two seconds response time. Response times are similar during peak and non-peak hours.

We resolve incorrect authorizations for debit and electronic check transactions on behalf of the merchant. For credit transactions or other funding concerns, such issues would be addressed through your Account Management team.

If merchants are using our message format Encompass Version 4 in a terminal environment, we offer support of a point of sale initiated authorization reversal. In this environment, the merchant can either utilize the Reversal functionality for the full amount of the authorization (which may be a portion or whole amount of the original amount requested), or they may send a Void request before settlement of that transaction takes place. Either will trigger our network to generate the appropriate authorization reversal message to the card association.

i.	**Describe the average time for terminal authorizations for both peak and non-peak hours.**

Response:
On our network a transaction can be authorized in 2 to 4 seconds using a dial-up phone line, wireless communication method or an Internet communication method (response time is measured from the time we receive a transaction authorization request to the time we provide an authorization response, excluding the time dependent upon third parties or third party delays). It is common for merchants with a dedicated connection to experience less than 2 second response times. It is important to note response times are the same during peak and non-peak hours.

j.	**Describe the average time for internet authorizations for both peak and and non-peak hours.**

Response:
As previously stated, a transaction can authorize in 2-4 seconds using a dial-up phone line, wireless communication method or an internet communication method. Response time measure from the time we receive a transaction authorization request to the time we provide an authorization response, excluding the time dependent upon third parties, point of sale systems (including any chip card and terminal interactions) or third party delays.

The average existence time on our systems is 10-15 milliseconds. Average switch times to the Visa, Mastercard, Discover and American Express networks range from 30-60 milliseconds. It is common for customers with a dedicated connection to experience less than two seconds response time. Response times are similar during peak and non-peak hours.

k.	**Describe in detail the procedures to reverse an incorrect authorization.**

Response:
We resolve incorrect authorizations for debit and electronic check transactions on behalf of the merchant. For credit transactions or other funding concerns, such issues are addressed through your assigned Account Management team.

l.	**Describe how to authorize international credit card transactions.**

Response:
We are able to process transactions in more than 30 countries enabling global commerce. (Capabilities per region/country may vary.) Processing services include:

- We offer an end-to-end Dynamic Currency Conversion (DCC) solution supporting approximately 131 currencies eligible for conversion. We obtain and manage all direct treasury exchange rates in-house. Authorization is completed over our network and we control all back-end reconcilement, settlement, and funding. No third party companies are involved; making it easy to service our customers and resolve any currency conversion or chargeback issues that may arise. International Visa and Mastercard credit card purchases are converted instantly at the point of sale to the cardholder's home currency, at a very competitive exchange rate; thus, eliminating unpleasant surprises for consumers when their credit card bill arrives. We will rebate a share of the conversion fee to you, generating additional revenue for your business.
- Multi-currency Conversion (MCC) provides you with an easy, affordable way to attract global customers by accepting payment for products and services in approximately 131 currencies through a single Merchant ID. Our MCC solution works with all Visa and Mastercard cards and supports card-not-present environments including e-commerce, mail order and phone order.
- The process is simple and does not interrupt any existing payment acceptance processes in place. You can control which currencies you wish to sell your products in and then enhance your web sites to market to international consumers. You may choose to have multiple country web sites, each accepting payments in the local currency, or you may choose a single web site and offer shoppers a choice of payment currencies.
- We handle all aspects of currency exchange management, giving you one simple, cost-effective solution. Interchange rates and fees remain constant regardless of the currencies you choose.

m.	**Describe the ability to handle seasonal merchant activity. Do seasonal merchants receive a break in merchant fees during months there is no activity?**

Response: We offer the option of setting up seasonal accounts. These accounts will not be charged fees during the time they are "seasonally closed." It will be the responsibility of the department to notify us that they want the account closed for the "season."	
n.	**Describe what is needed for an agency to set up a seasonal MID. Can a MID be changed to seasonal after it is already set up? If so, describe what is needed to change a MID to seasonal.**
Response: A MID can be changed after it is already setup. It will be the responsibility of the department to notify us that they want the account closed for the "season." Mysta Bosse, your operational account executive, can help you with this task.	
o.	**Provide the system availability statistics for the last 12 months. Provide the longest period that you were unable to authorize transactions in the last year, including the source of the problem and how long it took to resolve the issue.**
Response: Our redundancy of systems provides high availability of authorization and settlement systems, with our Stratus systems regularly achieving 99.9% uptime annually.	
p.	**Describe the communication options available to advise of system outages.**
Response: Service interruptions initiate immediate communication to the command team whereas notification begins. Alerts distribute internally across the related IT teams and to our client facing teams and key customers. The first alerts acknowledge that we are aware of the interruption and the anticipated impact to our customers with the estimated time for resolution. We provide additional alerts every 30 minutes, as required to update the customers on the progress and the action taken. Upon resolution, we provide an additional update notifying you that the issue has been resolved. Full incident reports follow as the details of the event is summarized. It will report as much detail as is available on the incident – from issue, cause and technical impact to operational impact. It will provide timelines for what is happening and when to expect more information, communication, changes, etc. Following a Level 1 outage, we provide a resolution report within 72 hours. This report will report in detail information from the incident report, along with root cause information, next steps and prevention methods including what is done, what has already occurred and when changes will be operational.	
q.	**Describe when and how often updates are made to the credit card system. What is the average downtime caused by the updates?**
Response: We support a load balanced server environment that is geographically redundant within two distinct facilities. Updates to these systems are performed during low peak times and do not involve removing all servers at the same time. To ensure maximum availability, the servers are serviced and updated as a rolling outage. Our network upgrades are generally non-disruptive to the current transaction systems. Each release is available as necessary during the regularly scheduled maintenance window. Any changes known to affect the end users are communicated approximately 45-90 days in advance of the release or upgrade. Testing systems are available in advance of the change to allow the ends user to validate their systems compatibility to the upgrade / modification in advance of the release. Our network currently employs a standard monthly release schedule for the hosted platforms. Two of these releases generally coincide with the card association releases each year. Emergency changes are ad-hoc as necessary, however they require two levels of senior management approval prior to release.	
r.	**Describe the methodology to process fuel payments and detail how fuel transaction acceptance varies compared to a regular credit card transaction.**

Response:
Yes, we can process fuel payments. Fuel pay-at-the-pump payment applications are similar to the Big Game Permit Drawing, because a pre-authorization typically takes place first to ensure that the card account is 'good' before allowing the customer to pump the fuel. In our experience, fuel applications typically will utilize the ADS or Buypass transaction networks to transmit the transactions to the merchant processor.

s.	**Describe the methodology to simultaneously process routine credit card transactions.**

Response:
We process an average of 15 million transactions per day, or 200-250 transactions per second (TPS). Our average peak volume is 400-450 TPS. To date, our peak transactions per second (TPS) in North America is 889, which represents approximately 75% of our total engineered capacity.

Elavon’s redundancy of systems provides high availability of authorization and settlement systems, with Elavon’s Stratus systems regularly achieving 99.9% uptime annually.

t.	**Describe the ability and the methodology to provide a hosted payment page that is secure and can be redirected from the agency website and is PCI compliant.**

Response:
Converge, our hosted payment platform, offers several security measures designed to protect the integrity of e-commerce transactions and the security of your account, including:

- Programmable business rules that can be set to Automatic validate transactions to reject or hold them based on certain conditions such as missing AVS, CVV, address mismatch, transaction amount and more.
- Fraud Prevention rules that can validate API transactions based on IP address, geographic location, card number and number of transactions both hourly and daily in addition to other security parameters.
- IP blocking based off of both Global Fraud lists, Geographic locations and mismatching geographic and shipping locations.
- All Converge servers and data are housed securely within Elavon’s network.
- Tokenization, which allows the construction of customer databases and transaction submission in a secure PCI compliant manner.

u.	**Describe what payment types can be processed on the hosted payment page.**

Response:
Payment types/cards we support include:

- Visa
- Mastercard
- American Express
- Discover
- Union Pay
- Diners Club
- JCB
- Fleet- Voyager, Wright Express, Visa and Mastercard Fleet

We can process through the following debit networks: Accel, Alaska Option, Interlink, NETS, Pulse, STAR, AFFN, CU24, Maestro, NYCE and Shazam.

v.	**Describe bidder's ability to process NCSPC credit card transactions as described, including any additional process improvement opportunities. Receipt information made on the website is entered by the payor and redirected to the contractor's website and transmitted to the contractor. A report of the previous day's payments is retrieved from the contractor's website and contains an excel spreadsheet with the totals and payors' information (name, phone number, and Agency Related Person(ARP) ID) and a text file is retrieved from their website in a NACHA CIE format that populates database tables within KidCare.**
Response: As the incumbent, we can process NCSPC credit cards as we do currently through our Converge platform. You can create payment pages and leverage Converge for processing using our JavaScript library, Checkout.js. Integration through Checkout.js utilizes an embedded payment script to open a payment form within an active browser session. Through Checkout.js integration, cardholders are not redirected to a hosted payment page, which preserves the look and feel of our customer's website throughout the checkout experience. Link your website to a Converge-hosted secure checkout page, branded with your logo and color scheme.	
w.	**Describe bidder's ability to process NCSPC credit card transactions as described, including any additional process improvement opportunities. The automated phone system processes payments in a similar manner. The payor is assigned a unique bank card ID which identifies his/her payor information. Once the phone system has identified the payor, the payor can proceed to enter their credit card information NCSPC employees log into their website to retrieve credit card payment information for credit card transactions made by phone. Kiosk bank card payments are retrieved on their website and the CIE file is downloaded in the same manner as web and IVR payments.**
Response: As the incumbent, we can process NCSPC credit cards using the following process to authorize a transaction: • The location dials their toll-free voice authorization number and Elavon's interactive voice response (IVR) system answers immediately. • The location is prompted to enter their merchant identification (MID) number, the card number, the card expiration date and transaction amount into the IVR system. • The system dials out for an authorization and the location will typically receive a response from the issuing bank in less than a second. • If the issuing bank requires a referral call, the location will be transferred to an operator from our Voice Authorization team. The average wait/hold time to connect to an operator is approximately 5.7 seconds.	
x.	**Describe bidder's ability to process NCSPC credit card transactions as described, including any additional process improvement opportunities. The day the funds are received from the bank and the data is gathered from the terminal and E-Payment website, the payments are posted through KidCare Queue Manager and given the proper effective date. A cut off time of 11 PM CT was established, and funds received at the bank are carried over to the next business day if received between 11 PM CT and 12 AM CT. The amounts per the bank information reporting system are compared with the data downloaded into KidCare and statements from the merchant processor and the settlement reports generated by the lone terminal.**
Response: As the incumbent, we can process NCSPC credit card payments as we do currently. We will continue to use the current funds availability schedule that is in place.	

y.	**Describe bidder's ability to process NCSPC credit card transactions as described, including any additional process improvement opportunities. NCSPC also receives receipts from payments taken by a collection representative. The recovery staff member uses a credit card terminal to get immediate approval on the payment. These amounts are later compared to the settlement report credited the following day from the terminal the card was processed on and the merchant's previous day's bank statement. The NCSPC also uses web portal for bank card items that will be applied towards bad debt. NCSPC employees retrieve an .xml file containing all recovery payments made via the web portal.**

Response:
As the incumbent, we can process NCSPC credit card payments as we do currently. In the MerchantConnect platform, you can retrieve your settlement report or use ACS/Payments Core 365 to custom make any report that is necessary to reconcile your business.

z.	**Describe bidder's ability to process NCSPC credit card transactions as described, including any additional process improvement opportunities. NCSPC charges a 2.49% surcharge for web, phone and Kiosk credit card transactions; however, the surcharge does not apply on debit card transactions and the surcharge is waived when payments are made via the terminal and recovery web portal.**

Response:
As the incumbent, we can process NCSPC credit card payments as we do currently, using your surcharge program.

aa.	**Describe bidder's ability to allow DOR to continue using current contractors, Official Payments and Brown Paper Tickets, including any additional process improvement opportunities. If keeping current contractors is not an option, bidder must provide DOR with a product description, system capabilities, a sample application or website if available for consideration. DOR does not absorb any merchant fees associated with card payments. Bidder must disclose all the potential user fees associated with the transaction processing reporting or file creation for this type of program in the cost proposal of the RFP, including any fees charged to the taxpayer. DOR and the State Treasurer's Office will give final approval prior to solution implementation.**

Response:
In cases where third party payment gateways are currently used, it is possible that you could instead use one of our gateway solutions (such as Converge). This could allow you to consolidate some of your payment applications under a single payment gateway to make for a more streamlined process, while eliminating unnecessary third party fees.

We offer a wide range of alternate payment interfaces. We have worked with several hundred third party solution providers to assist them in certifying to our transaction network. These providers can offer a variety of solution options, some designed to meet the needs of a particular type of payment application or business and/or that can integrate with certain accounting systems.

We have the ability to interface with Brown Paper Tickets, Official Payments, and more.

If the State agencies (i.e. DOR)/participants are using third party solutions to capture payments and prefer to keep the solutions in place, we can work with the provider(s) to interface to our network (if the solution is not already Elavon-certified). If any solutions being used from the current provider are proprietary, meaning if the provider would not allow the solution to be utilized with another merchant processor, then we can work with you to determine the optimal solution replacement if desired. We offer several possible alternatives including in-house secure payment gateways / API's, online payment portals and electronic bill presentment services.

ab.	**Describe bidder's ability to provide DOR the information required, including any additional process improvement opportunities. The card payment origination services transmit payments to the merchant contractor for authorization and processing with funds settling to an account at the direction of the State Treasurer. Additionally, electronic files containing payment card transactions are transmitted to DOR in the NACHA standard CCD+ or PPD+ formats. These files will not include any reversal transactions. The vendors also provide a daily report of detailed payment transaction information by Merchant ID with the settlement date. File and reports must be made available for DOR to pick up through FTP via Secure Socket Layer by 5:00 AM CT on the day following the effective settlement time.**

Response:
As the incumbent, we will continue to provide the DOR with all information as we do currently.

Our accounting system allows each merchant account to have up to three demand deposit accounts (DDA), each nominated for the following uses:

- Deposits/settlements
- Billing/fees
- Chargebacks

MerchantConnect, our most comprehensive and versatile customer portal, offers a real time view of transaction data. You can access a year's worth of reporting (two years for chargeback and retrieval) information on multiple MIDs and drill down into your data to view batches of transactions grouped by card type or batch reference number. Hierarchical reporting allows you to aggregate data from multiple locations.

The MerchantConnect reports are typically available:

- Authorization reports—approximately one hour after transaction is processed
- Settled Transaction Data—2-4 hours after settlement
- Qualification Data—24 hours after settlement
- Statements—Third business day of the month

ac.	**Describe bidder's ability to provide NGPC with the following requirements, including any additional process improvement opportunities. NGPC uses POYNT.net to review all locations via an HTML dashboard. Configurable settings ensure the use of virtual terminals, reports, and electronic receipts. Each location is unique and may have 20 or more users logging into a MID, each with unique user ID's and passcodes. Refunds through the POYNT device are possible via the dashboard or the device that processed the original transaction. Refunds may be less than the original transaction but may not be more than the original transaction. Refunds may be processed through the dashboard by management.**

Response:
As the incumbent, we will continue to support integrated ecommerce on the Poynt processing platform.

ad.	Describe the process used to assist the University of Nebraska to connect the POS system.

Response:
As the incumbent, we will continue with our current integration. If there is a need for further integrations, Converge easily integrates with top shopping cart providers such as Magento, Shopify, Shopzilla, 3dcart and more, while also allowing you to leverage a variety of integration options, including:

Hosted Payments via Converge's Hosted Payments Page
Offer your customers the convenience of paying online, without the expense of managing sensitive card data. Link your website to a Converge-hosted secure checkout page, branded with your logo and color scheme. Your customers enter their payment details to complete their purchase, and Converge handles the payment processing. It is the right solution if you require a simple, secure checkout page to accept online payments.

Via Lightbox
This integration method offers a checkout or payment form that is compliant with PCI Self-Assessment Questionnaire (SAQ) A, and makes collecting payment information from your customers easy, with no payment data touching your server. Lightbox uses an iframe to embed your checkout form as an overlay to your online store. When your online store calls the checkout form, your store darkens and becomes a transparent background, and the checkout form appears as a floating element.

Checkout.JS
You can create your own Hosted Payment Page (HPP) and use Converge to process your payments by using our JavaScript library to create what you need. You can create something as simple as a checkout window or a fully hosted payment page with shipping address and all the bells and whistles. Your PCI compliance burden is the same as with a hosted payments page. Both options use Converge to handle the payment data and process the payment. However, with Checkout.JS, there is no visible difference between the payment page and the rest of the website like there is with a HPP. This may help you preserve the look and feel of your website through to the checkout experience.

XML API
Integration via XML API is ideal for businesses that want to maintain complete control of the look and feel of their customers' online experience. Using this method, you would collect payment data using their own servers and pass that information to Converge for processing. Customers would never leave your site to complete a purchase, granting you full control of the checkout process.

ae.	Describe the options available to accept mobile transactions.

Response:
Our Converge Mobile is a secure, complete payment solution that transforms mobile devices into terminals, allowing you to accept payments quickly and securely anywhere, any time without a major investment of money or effort.

With Converge Mobile, you can use existing hardware, technical infrastructures and communications providers to enable mobile commerce and accept most card payments. It supports Purchase and Authorization Only transactions and works with Smartphone devices including most Apple® and Google® Android mobile devices.

We are recognized as one of the fastest enablers of mobile payment acceptance technologies such as Apple Pay, Android Pay (now G Pay/ Google Pay) and Samsung Pay in the U.S and Canada.

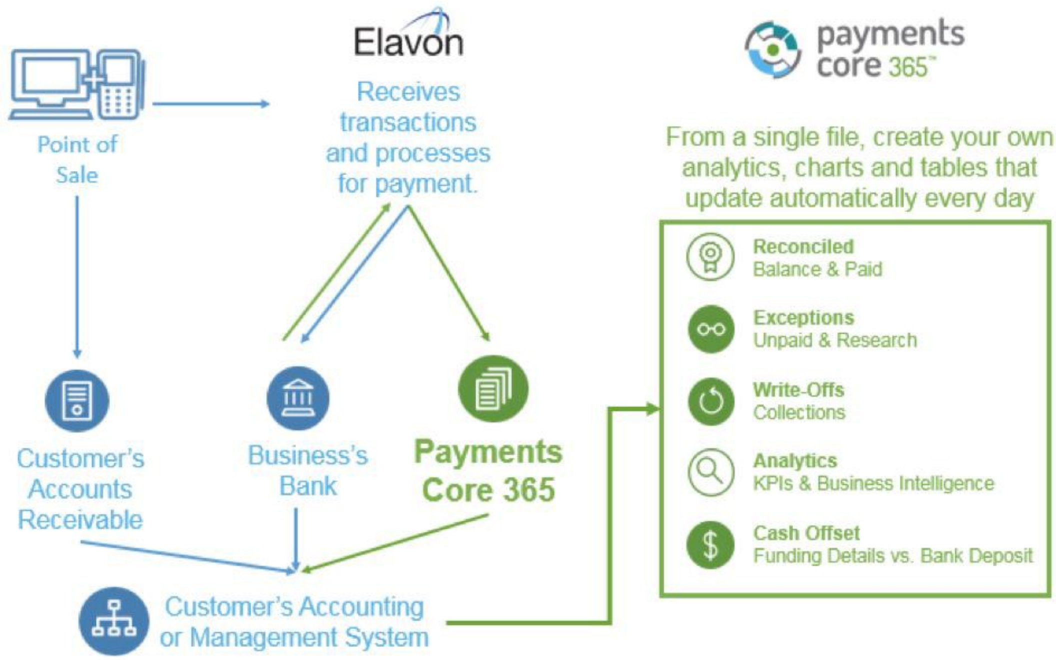
FR 6 – Daily Settlement Report	
a.	**Describe what time the settlement reporting is available in a method which is easy to use and not require State staff to look up each individual MID.**
Response: MerchantConnect reports containing transaction and settlement information are typically available within the following timeframes: • **Authorization reports** — Approximately one hour after transaction is processed. • **Settled transaction data** — 2 - 4 hours after settlement. • **Qualification data** — 24 hours after settlement. • **Statements** — Third business day of the month.	
b.	**The settlement report must include the following information: transaction processed date, MID name and number, merchant chain number, and the batch total for each MID. (no bank account numbers should be listed on the reports). Describe the ability and methodology used to comply with the requirements and provide a sample of this report.**
Response: Your settlement report will continue to contain the above information and more.	
c.	**Describe the ability and methodology used to download the settlement report in an excel format as well as any other available formats.**
Response: MerchantConnect supports download in XLS, PDF and CSV formats. Payments Core 365 files are available in one of three formats: delimited flat file, delimited CSV file and hierarchical formatted.	
d.	**Describe the ability and methodology used to view all transactions that make up a batch settlement total. Please provide an example.**
Response: To offer at-a-glance access, we provide our MerchantConnect platform. MerchantConnect allows you to view transactions and monthly statements for both individual locations and hierarchies defined by you. MerchantConnect also supports standard daily and period-end reporting that includes multiple data elements, such as qualification levels, downgrades by reason, and chargebacks and exceptions. Our reporting tools also allow users to enter customized reporting periods to create reports at quarterly or other defined intervals.	

e.	Describe the methodology used to create a customized report showing settlement data.

Response:

For custom reporting options, we offer our Payments Core 365 reporting tool. For large merchants with multiple distribution channels or complex reporting hierarchies that require specialized reporting capabilities, the Payments Core 365 raw data report provide detail that is easily exportable to external applications for additional data management and reporting. With Payments Core 365, you can easily retrieve detailed reports with data for multiple locations, including transaction activity, statement detail and card type history.

Custom reports can be setup on a recurring basis and provided in the frequency desired (daily, weekly, monthly, etc.). Mysta Bosse, your operational account executive, will assist in obtaining these reports.



FR 7 – Settlement and Availability of Funds	
a.	**Describe the transaction processing/transmission cutoff times for the Central Time Zone. Describe the process to adjust the nightly settlement time to ensure the settlement report exactly matches daily funds deposited into the Treasurer's bank account.**

Response:
Our platform allows merchants to settle at any time throughout the day. In most cases, next-day funds availability is supported on weekdays for transactions settled before 9 p.m. CT.

Weekends and federal banking holidays will affect funding times. Typically, Saturday and Sunday batch settlements post on Monday as separate deposits. If a federal holiday lands on a weekday, typically, funds post to the DDA the following business day.

File Received by Elavon (by 9 p.m. CT)	Funding Day (U.S. Bank DDA)	Funding Day (Non-U.S. Bank DDA)
Monday	Tuesday	Wednesday
Tuesday	Wednesday	Thursday
Wednesday	Thursday	Friday
Thursday	Friday	Saturday
Friday	Saturday	Monday
Saturday	Monday	Tuesday
Sunday	Monday	Tuesday

b.	**Describe how MIDs can have different settlement times and how those various settlement times can be supported.**

Response:
Our platform allows merchants to settle at any time throughout the day. In most cases, next-day funds availability is supported on weekdays for transactions settled before 9 p.m. CT. Funds availability may vary, depending upon the funding timeframes of the depository bank.

c.	**Describe the process used to have transactions settle automatically or manually as selected by the agency and how you support the best settlement time for the agency.**

Response:
Our solutions support both manual and auto-settle options.

d.	**Bidders answering questions i. – vi. should assume there are no banking holidays included and Saturday/Sunday are the only non-business days. Bidders should also assume that State Agencies have either closed the batches manually in time for bidder's processing cutoff's or are having batches auto-close in time for the bidder's cutoff.** **Bidders should use this sample calendar dates to provide their answers:** **Thursday, October 29** **Friday, October 30** **Saturday, October 31** **Sunday, November 1** **Monday, November 2** **Tuesday, November 3** **Wednesday, November 4**

i.	**If the transaction is processed and batched on Thursday, October 29, what day and time will funds settle into the State's bank account?**

Response:
Funds will be available on Friday, October 30. When Visa, Mastercard, Discover and debit transactions settle by 9 p.m. CT, funds are sent the same business day via Automated Clearing House (ACH) and are available the next business day, in most cases.

ii.	**If the transaction is processed and batched on Friday, October 30, what day and when will funds settle into the State's bank account?**

Response:
Funds will be available on Monday, November 2, the next business day.

iii.	**If the transaction is processed and batched on Saturday, October 31, what day and time will funds settle into the State's bank account?**

Response:
Funds will be available on Monday, November 2. Weekends and federal banking holidays will impact funding times. Saturday and Sunday batch settlements typically post on Monday as separate deposits.

iv.	**If the transaction is processed and batched on Sunday, November 1, what day and time will funds settle into the State's bank account?**

Response:
Funds will be available on Monday, November 2. Weekends and federal banking holidays will impact funding times. Saturday and Sunday batch settlements typically post on Monday as separate deposits.

v.	**If the transaction is processed and batched on Monday, November 2, what day and time will funds settle into the State's bank account?**

Response:
Funds will be available on Tuesday, November 3. When Visa, Mastercard, Discover and debit transactions settle by 9 p.m. CT, funds are sent the same business day via Automated Clearing House (ACH) and are available the next business day, in most cases.

vi.	**If the transaction is processed and batched on Tuesday, November 3 what day and time will funds settle into the State's bank account?**

Response:
Funds will be available on Wednesday, November 4. When Visa, Mastercard, Discover and debit transactions settle by 9 p.m. CT, funds are sent the same business day via Automated Clearing House (ACH) and are available the next business day, in most cases.

e.	**Describe how the State can use multiple settlement bank accounts depending on how the merchant wishes to structure funds settlement.**

Response:
Our accounting system allows each merchant account to have up to three demand deposit accounts (DDA), each nominated for the following uses:

- Deposits/settlements
- Billing/fees
- Chargebacks

f.	**Describe how settlement amounts will be listed separately on the bank statement either by chain number or by MID. Bidders should detail how Saturday and Sunday transaction activity will be listed on the bank statement (will funds be co-mingled with another day's activity or listed individually). Please provide an example.**

Response:
You have the option of requesting that batches posted separately to the depository DDA, known as "pay by batch" funding, or requesting a combined daily deposit/lump sum, known as "pay by day" funding. Weekends and federal banking holidays will affect funding timeframes. Saturday and Sunday batch settlement will deposit on Monday as separate deposits. If a federal holiday occurs on a weekday, funds will deposit to the DDA the following business day as a separate deposit.

g.	**Describe how the settlement of funds will be made to the State's bank account. State will not accept a funds availability schedule or settlement that would net merchant fees from the daily credit card batch settlements for any State Agency.**

Response:
We typically fund as a gross settlement; fees debit on a monthly basis from the account nominated by you within the first five days of the month following activity.

FR 8 – Credit Card Customer Service and Support

a.	**Describe how customer support will be available toll-free 24x7x365 to State Agencies. Customer support must be able to help resolve terminal, authorization, and transmission issues at a minimum. Provide detailed information about the services offered by customer support.**

Response:
U.S. Bank/Elavon has a customer service organization specifically focused on large enterprise relationships, recognizing that they have different needs. An Account Management team, as described below, is assigned your relationship and is responsible for evaluating your needs and carefully mapping them to present and future products and services, to ensure your satisfaction and your objectives are met. This team is in-house in order to ensure full accountability and control of your service. This team consists of the following:

Greer Almquist (U.S. Bank) - Government Banking Relationship Manager
As the State's relationship manager, Greer Almquist is part of the RFP review process, proposal process and will be part of the contract negotiations and implementation once selected. Once the solution is live, he will continue to be your overall relationship manager.

Jay Johnson (Elavon) - Client Executive
Jay Johnson is responsible for the overall management of your account, including business development, strategic direction, overall client satisfaction and contract renewal execution. Jay provides consultative service, develop relationships and add overall value to our relationship with clients. He works together with you to reduce costs, provide education, provide client advocacy, drive initiatives and offer additional products / services that provide value to the client.

Mysta Bosse (Elavon) - Operational Account Executive
Mysta Bosse is your primary day-to-day point of contact. Mysta proactively supports you through attentive, accurate and timely service and communication. Mysta works to resolve any challenges or issues in tandem with Jay Johnson, your client executive. Mysta will escalate any issues when necessary, and communicate current events and relational updates.

b.	**Describe the length of time Merchant activity (specify by months, days) is available to customer support staff and the ability to view and provide batch detail information to the caller immediately. If research is required due to older information, what is the time frame the information will be available?**

Response:
Our Customer Service representatives have the capability to access online transactional history up to one year from the date of the transaction. We also are able to retrieve offline information via our research department through use of archived reporting. The time to retrieve the data will depend on the quantity and age of the data requested. If there is additional information you may need, you can work with your assigned Account Management team to make that request.

c.	**Describe service/performance level reports for customer service, technical support, ticket resolution, phone authorizations, and merchant onboarding.**

Response:
See Service Level Agreement contained in current agreement, Exhibit 1.

d.	**Describe the process used for notification of scheduled and non-scheduled down time.**

Response:
We post notifications and announcements in our MerchantConnect platform. We perform quarterly system updates, however, due to a redundant architecture, system updates do not affect customer processing.

The following communications will be passed along:

- Within 20 minutes of the service disruption, you will receive a notification regarding the system issue.
- Within 35 minutes of the service disruption, you will receive an update with an estimated resolution time if known.
- Additional updates every hour after the second email communication unless there is a resolution to report.
- We send resolution notifications within 20 minutes of confirmation that the disruption is resolved.
- If an unplanned disruption lasts less than 20 minutes, we send an email communication informing you of the disruption, impact and resolution.
- When possible, we send email communications only to impacted customers by a particular unplanned disruption. For example, if the Converge gateway is unavailable, we send an email communication to those using the Converge gateway.
- We send notices to the 'Contact for Outages' contact identified during the implementation process.

In the event of an unplanned service disruption – where a component or the entire product is unavailable for a minimum of five minutes – we send a notification out via email as soon as possible after verification.
The following information will be communicated:

- Issue Timing
- E-Payment Service component(s) impacted
- Issue Description
- Type of disruption (full outage vs. sporadic availability)

e.	**Confirm bidder will provide an account representative as a single point of contact responsible for the State and describe how this position handles escalation of contract related processing issues.**

Response:
We confirm.

f.	**Describe how the agencies will be informed of upcoming changes related to terminals, online merchant portal and/or brand regulations.**

Response:
We maintain a specialized team who works with our terminal equipment partners to ensure that our programs are utilizing the most secure coding available. When we identify a critical update, we will proactively update the file on our end, and using an internal update program; will deploy this update after business hours directly to your terminals.

Your assigned Account Management team will work with you to keep you informed of significant updates and dissemination of industry-related rules or regulatory changes. Additionally, Payment Network rules and regulations are available in large part online, and your Account Management team will provide you with the links to such rules and regulations along with assistance in interpreting and understanding them.

Finally, we also provide information regarding industry issues through our MerchantConnect site. As industry experts and your advocates, we consider it our duty and honor to work with you to find the best ways to not only understand industry rules and regulations, but how to best help you integrate them into your existing business model.

FR 9 – Chargebacks, Reversals and Refunds

a.	**Describe how quickly a merchant is notified of a chargeback once the contractor is notified. Describe the process of sending all chargeback information directly to the State agency responsible for the MID the chargeback relates to.**

Response:
When we receive a chargeback notification, we will send notification to you either by mail, fax, email or online notification through Chargeback notification. Your operational account executive will then work with you to resolve the chargeback as quickly and efficiently as possible. Chargebacks that require documentation from the issuing bank are processed within an average of seven days while chargebacks that do not require documentation from the issuing bank are processed within an average of three days. Our proprietary chargeback system, called Automated Dispute Resolution Processing (ADRP), is used to work chargeback and retrieval activity.

An optional Auto feature is built into the system allowing email or fax notification of a chargeback or retrieval to be sent to the merchant within 24 hours of the time it is worked; thereby, giving our merchants more time to respond. The system generates a 15-day reminder notice for all outstanding retrieval requests for merchants set up with the Auto Fax feature. This notification can change to 5, 10 or 21 days or turned off as requested. Outgoing notifications are bar-coded, allowing auto-indexing to the appropriate case to occur when returned with the merchant response. This expedites the chargeback.

b. Describe what options are available and the process for chargeback information notification back to agencies.

Response:

Our *Online Case Management (OCM)* solution allows you to easily receive, view, respond to and manage all your chargeback and retrieval activity through this optional service available with our MerchantConnect reporting tool. With the advanced technology of our OCM solution, you have the flexibility to direct how cases are handled, dynamically manage workflow and streamline responses. OCM is a comprehensive workflow management solution that allows you to prioritize and manage case activity.

- Online reporting tool that monitors chargebacks/retrievals
- Receive, view, respond and manage activity
- Notifications within 24 hours

Our state-of-the-art solution features a daily summary of case activity as well as automated alerts that allow you to monitor your cases based on preferences you set, including new chargeback and retrieval cases, status updates, high value amounts, and case aging. In addition, OCM features a broad selection of reports to manage your activities and measure results. OCM supports the ability to browse to find and then upload an image or document into the tool.

OCM offers reporting that provides full visibility into chargeback and retrieval activity to help you effectively manage your case activities. Reports can range from a single listing to a specific filtered report by date, location, card type, case ID and a number of other criteria. You can drill down further into a specific case for a detailed look at the history, including actions taken and results achieved. OCM enables you to export report data to other enterprise systems in multiple formats, including HTML, CSV, PDF, TXT and Excel.

SIMPLIFYING CHARGEBACK MANAGEMENT

Define custom work queues and activity views based on your business needs.

Create your own response templates that yield the best results for your business.

Upload supporting case documentation, such as receipts, in a variety of formats.

Label up to ten filtering options to quickly find the information you need.

Export data to use in other enterprise systems.

c. Describe what assistance or training the agency will receive to resolve chargebacks.

Response:

Mysta Bosse, your operational account executive, will work with you to resolve the chargeback as quickly and efficiently as possible. Chargebacks that require documentation from the issuing bank are processed within an average of seven days while chargebacks that do not require documentation from the issuing bank are processed within an average of three days.

Our Dispute Resolution department is able to handle approximately 5% of chargebacks without customer involvement, which means fewer chargebacks for our customers and a lower overall cost of card acceptance.

d. Describe the percentage of chargebacks, received in 2020, that did not require Merchant intervention/involvement that was successfully resolved (the chargeback was reversed). (These would be cases where a transaction was returned as a duplicate charge, but it was clearly evident there was no duplicate charge to customer.)

Response:

Our Chargeback Department processes an average of 110,000 chargebacks per month and 15,000 retrieval requests per month and maintains an average retrieval fulfillment rate of 97.5%. Our Chargeback Department is able to handle approximately 5% of chargebacks without customer involvement, which means fewer chargebacks for our customers and a lower overall cost of card acceptance.

e.	**Describe the methodology used to provide card reversals/chargeback procedures required by DOR. Card reversals or chargebacks are not to be debited through the banking system. The following steps are to be taken in situations regarding card payment reversals and chargebacks.** **a. The contractor must notify DOR in writing or through a web interface before any action is taken associated with a card payment reversal or chargeback.** **b. The notification from the card service provider must contain the original payment transaction information.** **c. DOR will research the payment to determine that the payment has not been refunded and will then send a notice of approval authorizing the card service provider to invoice DOR for the amount of the payment (net of fees).** **d. DOR will process the invoice and generate a payment to the card service provider.**
Response: We automatically resolve incorrect authorizations for debit on behalf of our customer. Credit transactions can manually reverse through our terminals, or an authorization reversal can be requested through our voice authorization line. You can refund settled transactions manually, or your operational account executive can assist with these reversals.	
f.	**Describe how the State bank account will be debited for chargebacks. Provide an example of how a chargeback will be shown and identified on the bank statement.**
Response: You have the option of selecting separate checking accounts from their deposit checking account for chargebacks and adjustments. Chargebacks are debited/credited from/to our customer when the item is received by Visa/Mastercard and processed by our ADRP system. For non-chargeback adjustments, our backend system, Merchant Processing System, generates an ACH debit or credit to the location where the original transaction occurred. Credits may be initiated by our customer at any time and will be processed upon receipt by us. Funds would debit from a processing account. In the event that debits to any of these accounts reject, we reserve the right to net items from daily transaction proceeds.	
g.	**NCSPC requires that all returns (refunds, reversals and chargebacks) be debits to their bank account rather than offsetting daily credits, describe in detail how this requirement can be met.**
Response: As the incumbent, we will continue to process returns as we do today.	

h.	Explain the arbitration process and the pass-through fees associated with the process.

Response:
In the event of a billing dispute between a cardholder and our customer, we assist our customer in investigating and resolving the dispute. Chargebacks initiate at the issuing bank and transmit through the Payment Networks to our merchant accounting system and ADRP system. Where possible, Payment Network Regulations auto decisioning logic will automatically debit the merchant or represent the chargeback as necessary.

Chargebacks that are not auto decisioned by the Dispute System group into work queues by Payment Network reason and usage codes. For chargebacks in the queues, chargeback operations representatives determine if the required documentation is available to meet the chargeback requirements (which differ depending on the type of transaction) of the appropriate Payment Network and, if so, will represent that transaction to the issuing bank. If sufficient documentation is not available, our customer will receive a written chargeback notice, asking them to provide the necessary documentation to support a representment.

After representment, an issuer or cardholder may continue to dispute the transaction. For Visa chargebacks, the issuing bank will submit a pre arbitration rather than a second cycle chargeback. The incoming pre arbitration will automatically update the appropriate case in the system and route to the appropriate queue. For Mastercard chargebacks where the chargeback cannot be resolved during the second cycle chargeback, the transaction will reassign to the pre-arbitration queue.

Chargeback and retrieval information (including status) is available on MerchantConnect.

FR 10 – Contract Management

a.	Describe how State Agencies' credit card transaction information will be reviewed on an annual basis. Provide recommendations on how the State Agencies can reduce merchant processing fees.

Response:
We use interchange break-even points to give you the most beneficial costs when multiple interchange rates are available for a particular transaction, depending on the transaction amount. We also have downgrade reporting abilities at the customer level that allow our customers to monitor their accounts daily, weekly and monthly.

We understand the importance of optimizing service levels to help you better manage the costs associated with card acceptance. We position to help you proactively achieve savings associated with interchange by working with you to anticipate Visa and Mastercard changes, minimizing negative impacts, and to capitalize on the opportunities these changes create.

Targeted interchange qualification levels are established through a review of your past processing history, as well as industry averages. We further provide strategic account reviews on a regular basis to provide in-depth analysis and insight into your interchange usage; enabling you to manage pricing to your advantage.

b.	Describe how new services will be offered to Merchants.

Response:
Our future product plans reflect our customers' needs, technological advancements and competitive strategies. We focus on offering our customers more data security services, acceptance of alternative payment options and expanded mobile/contactless card acceptance.

Our innovation is actioned by our in-house lab (The Grove) that focuses on new technologies, resulting in faster and meaningful product enablement. The Grove lab is a unique concept in the industry that directly responds to on-going customer and industry demands.

Our innovation is actioned by our:

- In-house, full-service innovation lab (The Grove) focusing on new technologies
- Ongoing customer feedback resulting in meaningful solutions
- Powerful gateway resulting in faster product enablement

c.	Discuss what key performance measures are tracked and how this information is relayed to Merchant clients.

Response:
We use key performance indicators (KPIs) to track the performance of our programs, policies and guidelines. We continually strive to measure customer satisfaction and gauge customer perceptions on merchant services and trends. Our audience for research focuses on our own customers or prospective customers and includes surveys, focus groups, advisory panels and more.

Surveys

- We have tracked customer satisfaction for over two decades through extensive telephone surveys that measure current satisfaction, likelihood to continue doing business and probability to recommend us. We then pursue further measures of satisfaction around pricing, customer service, etc.
- We deploy a web-based new customer survey every month, measuring satisfaction with the pre-sales and setup process.
- We perform ad-hoc surveys based on industry topics.

Focus Groups

- We conduct focus groups with customers to gain insight into industry trends, products, pricing perceptions, new sales channels, etc.

Customer Advisory Panels

- We support Customer Advisory Panels for select sales channels, with outreach consisting of quarterly leadership feedback sessions and an annual conference.
- We have also initiated a Merchant Advisory Panel, which is an opt-in panel of customers from our annual Customer Satisfaction Survey respondents. Customers participate in 3 – 4 web surveys per year on various topics.

d.	Describe how monthly reports will be sent to the contract manager. Two monthly reports are required. First report must include each MID and the transaction volume and counts, including any credits processed. Second report must include each MID and the types of transactions processed. Reports will be due by the 10th day of the following month.

Response:
The State has access to MerchantConnect and can run reports when required, as it does today.

MerchantConnect reports are typically available within the following timeframes:

- Authorization Reports—Approximately one hour after transaction is processed.
- Settled Transaction Data—2 - 4 hours after settlement.
- Qualification Data—24 hours after settlement.
- Statements—Third business day of the month.

e.	**Describe the notification process to the contract manager in the event of a disaster, including the approximate length of time the contract manager will be notified after a disaster occurs.**

Response:
As a customer-focused company, our crisis management program is in place to provide transparent, responsive notifications, consistent updates and informative communications to employees, customers and partners while also managing customer expectations with regard to business and operational impact and providing actionable steps to establish commerce continuity for our business customers in the event this is ever needed.

Notification frequencies are based on the Priority Level, which reflects the urgency to the customer based on the severity of the service interruptions. For example, service interruptions whereas customers are unable to authorize any electronic payments through our software or service (Credit/Gift/Debit) you are unable to deposit/transmit batches to their third-party processor for more than two days are considered a level 1 priority.

Service interruptions initiate immediate communication to the command team whereas notification begins. We distribute alerts internally across the related IT teams and to our client facing teams and key customers. The first alerts acknowledge that we are aware of the interruption and the anticipated impact to our customers with the estimated time for resolution. We provide additional alerts every 30 minutes, as required to update you on the progress and the action taken.

Upon resolution, we provide an additional update notifying that the issue has been resolved. Full incident reports follow as the details of the event is summarized. It will report as much detail as is available on the incident – from issue, cause and technical impact to operational impact. It will provide timelines for what is happening and when to expect more information, communication, changes, etc.

FR 11 – Compliance Issue Support

a.	**Describe how assistance and support will be provided to State Agencies to interpret Card Association rules and regulations, how will agencies be informed of new rules and regulations.**

Response:
Your Account Management team will work with you to keep you informed of significant updates and dissemination of industry-related rules or regulatory changes. Additionally, Payment Network rules and regulations are available in large part online, and your Account Management team will provide you with the links to such rules and regulations along with assistance in interpreting and understanding them.

We also provide information regarding industry issues through the MerchantConnect site. As industry experts and your advocates, we consider it our duty and honor to work with you to find the best ways to not only understand industry rules and regulations, but how to best help you integrate them into your existing business model.

b.	Describe the process to train and inform agencies on changes and updates to Card Association rules and regulations, fraud-management and compliance mandates.

Response:
We prefer a partnership model to more traditional vendor relationships and provide installation and training services via phone and online. These services include:

- We verify that equipment packages have been received (to include cords, cables, etc.) and assistance with initial setup.
- We train on processing payments, to include issuing refunds, voiding payments, and settling transactions when necessary. We will offer this to larger groups through web conferencing, as needed.
- Setting up new users on Converge and Fusebox, as well as training on navigating through each user interface.
- We train on reporting services/websites such as MerchantConnect, Online Case Manager (OCM) and Payments Core 365.

As previously stated, your assigned Account Management team will work with you to keep you informed of significant updates and dissemination of industry-related rules or regulatory changes. Additionally, Payment Network rules and regulations are available in large part online, and your Account Management team will provide you with the links to such rules and regulations along with assistance in understanding them.

We also provide information regarding industry issues through MerchantConnect. As industry experts and your advocates, we consider it our duty and honor to work with you to find the best ways to not only understand industry rules and regulations, but how to best help you integrate them into your existing business model.

c.	Describe the process to assist and support State Agencies in maintaining PCI DSS compliance. Participation in meetings and providing support services as necessary with compliance or data security issues is required.

Response:
We are committed to providing our Level 1, Level 2 and Level 3 customers with direct support in their efforts to achieve and sustain PCI DSS compliance. Some of the ways we work with our customers in this effort include:

- We are a member of the major Payment Networks and plays an active role in our membership, with a concentrated focus on key areas of North America and Europe.
- We work closely with the data security compliance teams of the major Payment Networks.
- We are a Participating Organization of the Payment Card Industry Security Standards Council (PCI-SSC) and a PCI Level 1 Compliant Service Provider.
- We have staff trained under the PCI Security Standards Council's (PCI) Internal Security Assessor (ISA) and Payment Card Industry Professional (PCIP) training and certification programs.
- We have a team to work with our PCI Level 1, 2, 3 and 4 customers as needed throughout their compliance journey.
- We work with customers to help support compliance validation through remediation plans while mitigating cards brand fine assessments to our clients.
- We have PCI subject matter experts fully aware of evolving technologies and new PCI requirements to provide PCI council and Payment Network updates and requirements to customers.
- We work diligently to provide accurate and timely updates and reports of our customers' PCI progress to the Payment Networks and works as an advocate on their behalf.
- We educate and advise our clients of the latest trends and security risks to help prevent data compromise events.
- We attend Industry PCI training and awareness events along with PCI Level 1 – 4 Customers.
- We facilitate customers with access to available data security industry training and informational webinars (i.e., Limited Availability Free PCI Awareness Training usually priced at $495 per individual, monthly Visa webinars, etc.)
- We participate on conference calls with you to assist with specific PCI-related questions or guidance regarding requirements, deadlines, remediation plans and if applicable will include the Payment Networks.
- Promote and encourage customers to review Data Security Alerts published by the payment networks (i.e., Visa) which advise and educate our customers of particular vulnerabilities within a variety of markets, systems and software.
- For our Level 4 merchants, we have established a website to help facilitate PCI DSS validation
- https://www.elavon.com/security-center/elavon-security/pci.

Our program focuses on the following three key areas.

- Education—materials and information to help you understand PCI DSS compliance.
- Validation—tools to help you attest compliance with PCI DSS.
- Financial Reimbursement—in the event of a breach, eligible businesses may receive financial reimbursement to cover certain payment network fines, assessments and the cost of a forensic audit.

d.	**Describe requirements needed to add credit card payment options to an agency website.**

Response:
The process of adding a new merchant ID to an existing merchant setup is relatively simple. You would reach out to your designated operational account executive, and provide he / she the information needed for the setup, such as:

- Location name and address
- Bank account(s) to be used for fees / deposits (or if invoice billing is required, indicate that)
- Contact information
- What solution(s) will be utilized to capture / process the transactions
- Specify any terminal hardware / software needed
- Reporting needs, chaining, etc.

Once the above information is gathered, a new merchant setup request is submitted. This process typically takes only a few days once the necessary information has been received. Any necessary hardware typically deploys the next business day. In addition, our New Merchant & Activation department as needed at your convenience would provide training.

e.	**After a new MID is set up, describe the amount of time to complete PCI requirements before a Non-compliance fee is charged. If there is a time difference per level, detail the time for each level.**

Response:
Jay Johnson, your client executive, and Mysta Bosse, your operational account executive, will work with you to ensure that you maintain PCI validation.

We will:

- Track PCI DSS validation individually for PCI Level 1, Level 2 and Level 3 customers and work with Account Managers and customers to ensure reminders are provided 90 to 120 days in advance of a validation due dates.
- Facilitate communication with you to address questions and concerns (i.e., explaining the process and documentation required to meet their PCI DSS due date and/or request an extension, etc.)
- Distribute reminders to customers who may be in jeopardy of non-compliance fines for not meeting deadlines and articulate potential consequences and fines for failure to do so.
- Advocate to the payment networks when a customer is in need of a deadline extension and/or mitigation of potential fines.
- Facilitate on-going meetings with customers, at regular intervals, that are working through remediation plans. This is to ensure the Payment Networks are aware that the customer is tracking to their detailed timelines, have achieved any significant accomplishments or have incurred challenges until full validation is achieved.
- Maintain on-going dialogue with customer to support on-going compliance after validation.

f.	**Currently the State is grouped into three levels for PCI Compliance. State Agencies are a level 2, the University is a level 3 and the State Colleges are level 4. Describe the ability and methodology that will be used to continue these levels of compliance.**

Response:
We will continue to support these levels as we do today under the current contract.

g.	**Currently the University and the State Colleges provide PCI details through an online portal provided by the current contractor. Describe how level 3 and 4 Merchants are to provide details relating to each MID's compliance. What options are available to report PCI compliance?**

Response:
We will continue to support these levels as we today under the current contract.

FR 12 – Disaster Recovery	
a.	**Describe how often your disaster recovery plan is tested including but not limited to the data replication process including real-time failover between various data centers.**
Response: Disaster Recovery plans executes quarterly. Data replication between geographically disperse data centers is used to minimize the potential of any data loss. Application RTOs are based on business need. The most critical applications run hot/hot in separate data centers. Please see the **U.S. Bancorp Enterprise Resiliency Program Overview** and the **U.S. Bancorp ISO 22301**.	
b.	**Describe an incident where the disaster recovery plan was implemented. How long was the disaster recovery solution implemented for? How quickly after the disaster were the credit card transactions processed?**
Response: U.S. Bank/Elavon has never experienced a situation in which a disaster recovery plan was implemented. Our two distinct platform locations, our network and transaction systems remain fully functional at the non-affected location. Our transactional infrastructure is designed in a fully Hot/Hot architecture. The datacenters are both Hot sites and not “backup” sites. Should a complete site failure occur, transaction flow will automatically fail over to the other data center.	
c.	**Describe any instance that the merchant services reporting has been down. Describe the disaster recovery solution to implement for reporting.**
Response: We have not had an incident in which merchant services reporting was down that required use of a disaster recovery plan to restore services. In the unlikely event of a disaster that renders technology inoperable, and imposes limitations on staff and resources, recovery time for all front-end and back-end systems should take no longer than 24 hours. Our platform is designed in high availability architecture with redundancies in place that enable services to continue throughout outages and issues with no impact to the end user. These high availability configurations assist in navigating through production incidents including but not limited to failed hardware or infrastructure, power or internet connectivity.	
d.	**Describe any instance that bank reporting has been down. Describe the disaster recovery solution to implement for reporting.**
Response: We have not had an incident in which bank reporting was down that required use of a disaster recovery plan to restore services.	

FR 13 – Online Bank Reporting	
a.	**Describe how a secure online solution to view bank activity can be provided.**

Response:

The State can continue to leverage SinglePoint® to achieve new levels of efficiency through the one easy-to-use website with a single point of access for all your global treasury management service needs. As you are aware, SinglePoint does not require dedicated PCs or software installation.

With SinglePoint, you can continue monitor account activity; view, manipulate and download images; transfer and manage payments, including Disbursements via Zelle®; process and deposit collections; prevent fraud; and manage your employees' system use. The following services are available within SinglePoint and are accessible with the same user login ID and password.

SinglePoint Information Reporting

SinglePoint Information Reporting enables the State to manage your financial position with superior reporting tools. SinglePoint displays account summary, detail and transaction information for accounts and transactions online. Benefits can include:

- **Simplify daily account reconcilement**—You can view current and previous day transaction and balance summary totals, including interim collected balance totals. Users can view images of paid checks, returned checks and deposited returned items. You can also review incoming wire detail and return wires online.
- **Transfer funds easily from your account summary view**—SinglePoint Book Transfers allow you to view your previous day or current day account summary and act within Information Reporting to immediately transfer funds between accounts.
- **Search for transactions**—SinglePoint allows you to search by account, transaction type, date range, amount and transaction reference (such as check number). Users can view, sort and print search results in PDF or comma separated value (CSV) formats and drill down to transaction detail within the application.
- **View standard and special reports in various formats**—Standard reports include five previous day and 10 current day reports, including the highly useful ACH and Wire Detail reports. With SinglePoint, you can quickly select report dates with the clickable calendar tool. Report formats include browser, PDF and text for human readable reports and BAI2 and CSV to integrate with internal systems.
- **Customize reports with robust filtering**—Users employ the report builder to select accounts, date ranges and data fields like transaction types, as well as save and name personal report filters, then reuse and share with other users.
- **Manage delivery of reports via email or transmission**—You can set up delivery schedules of previous, current day and custom reports on your accounts to be delivered to an email address or transmission mailbox.
- **Decision your current day returned items**—Your employees can easily review returned items, view images and decide to charge back or redeposit eligible items or request a reversal, and view their decision history.

Security

SinglePoint protects account information with the most current and proven technology available, including:

- 256-bit AES encryption
- TLS 1.2
- Individual client IDs, passwords and digital signatures.
- VeriSign time-based tokens are required for users to access payment services (ACH and wire transfer). Tokens are pre-programmed to produce a new numerical code every 60 seconds. One token is assigned to each user at your site.
- By default, all entitlements must be approved by a second system administrator. You must complete additional paperwork to waive the dual approval requirement.

No organization is immune to criminal activity. Find four steps you can take to reduce the risk of payments fraud on Financial IQ.

bit.ly/StopPaymentsFraud

An optional IP white listing security feature is available if you want to restrict user access to allow only specific IP addresses or IP address ranges.

The application also uses a tool called Passive Monitoring, which detects anomalies in web traffic between user PCs and our application. These anomalies include user PC viruses. Once detected, we contact users to communicate viruses were identified and advise on corrective measures to clean the user PCs.

b.	**Describe hardware requirements for the online solution for bank transactions related to credit card activity.**

Response:

SinglePoint technical recommendations are stated below at supported (minimum) and optimal levels.

Supported browser versions based on your operating system

Operating system	Optimal browser versions TLS 1.2 will be automatically enabled. (Includes version shown or current version.)	Minimal browser versions You will need to manually enable TLS 1.2 in browser security settings.
Windows® 7	Internet Explorer 11 Chrome 30+ Firefox 27+	Internet Explorer 8, 9 or 10 Firefox 24 through 26
Windows® 8	Internet Explorer 11 Chrome 30+ Firefox 27+	Internet Explorer 10 Firefox 24 through 26
Windows® 10	Internet Explorer 11 Edge 12+ Chrome 30+ Firefox 27+	N/A
Apple® Mac OS® X	Chrome 30+ Firefox 27+ Safari 7+	Firefox 24 through 26
Mobile		
Android 4.1 thru 4.4.4	Chrome 30+	Google Android™ browser
Android 5.0 and up	Chrome 30+	N/A
iOS 5 and up	Safari 5+	N/A

To determine what operating system you are using on the workstation, complete the following steps:

- Microsoft® Windows: use the Start menu to search for “System Information” and run this application. Your version of Windows will be shown.
- Apple Macintosh: go to the Apple menu and click About This Mac.

To determine the browser version you are using, complete the following steps:

- Microsoft® Internet Explorer: open Internet Explorer, click the Help dropdown list, select About Internet Explorer.
- Google Chrome™: click About Google Chrome menu option within the main menu symbol.
- Mozilla® Firefox: open Firefox, click Help.
- Microsoft Edge: click the three dots located in the upper-right corner of the page. Next, scroll down and click Settings. Scroll again to the bottom of the menu and click About this app.
- Apple Safari®: click About Safari menu option within the main menu.

Component	Optimal Workstation	Minimum Workstation Requirements
Screen resolution	1280x1024 or higher	1024x768
CPU	2.0GHz processor or faster	500MHz or faster
Modem	Broadband Internet connection	56 KBPS

Memory	4 GB or more	1 GB or more
Hard Drive disk space	100 MB or more	35 MB or more

***What is TLS 1.2?** Transport Layer Security (TLS) is a security protocol that provides communications security connections between your Web browser and the server at usbank.com. Version 1.2 of the TLS protocol was defined in August 2008 as the current latest version.

Workstation requirements and recommendations

Users may also need Adobe® Reader® and Microsoft Excel® or compatible application to view and print certain reports.

c.	**Provide a link to demo the online bank solutions. If no demo is available, provide details for standard reports.**

Response:
The State can access the SinglePoint online demo at www.usbank.com/sptdemo.

d.	**Describe available user security levels and/or user entitlements for the online solution, including whether security levels can be set by user, account, or dollar amount.**

Response:

System administration

Your designated SinglePoint system administrator serves as your security manager. The system administrator:

- Creates and deletes SinglePoint users.
- Requests and maintains tokens, which are required to initiate payment transactions.
- Sets and modifies user payment and transaction quantity limits.
- Assigns user access to services and accounts.
- Assigns initiation and approval entitlements.
- Resets own and other users' passwords when necessary. Regular users can change their own passwords.

We offer a dual system administration option upon setup for added control. With this option, all changes to user access or limits require a second system administrator approval to process.

You can determine which accounts, services, functionality and limits each user sees and uses. Administrators can add, copy and reuse user profiles to streamline the setup of new users. They can also modify user entitlements, account access and transaction limits at any time with immediate updates. The system allows you to change user status for interim periods, as well as assign entitlements by service area, function and account access. You can also set user payment limits for ACH, book transfers and wire transfers.

To assist you in monitoring system usage, we also offer the following audit features:

- User activity audit reporting for all services.
- Token maintenance and status reports.
- User profile reports.
- Account profile reports.
- Service profile reports.

System administrators can modify user entitlements, account access and transaction limits at any time with immediate updates or change user status for interim periods. Entitlements can be assigned by service area, function and account access. Your system administrator can set user payment limits for ACH, book transfers and wire transfers. The following table describes SinglePoint user entitlement by service.

Service	Entitlements	Access and Limits
ACH	Batches: ▪ Initiate batches ▪ Approve batches Templates: ▪ Create template ▪ Approve template ▪ Export template	▪ Access to accounts ▪ Providence level limits ▪ User level batch initiation limits • Per batch • Daily cumulative limit ▪ User level batch approval limits • Per batch • Daily cumulative limit
ACH additional services	Allow access to the ACH activity schedule, control totals, positive pay warehouse search services	Access to accounts

Account reconciliation	Allow access to account reconciliation reports.	Access to accounts
Book transfer	■ Initiate ■ Approve	Access to only U.S. Bank accounts
Cash vault	■ Allow access to online ordering ■ Allow access to reports	Access to cash vault locations
External messaging	Enable messages	Delivery options: ■ Primary email ■ Secondary email ■ Mobile device ■ LaunchPoint page ■ Fax
Image access	Allow access to image service. (Images may be viewable in other services, such as reporting, without access to image access service.)	Access to accounts
Image file delivery	Allow access to image file delivery	Access to accounts
Information reporting	■ View current and previous day ■ View and generate special ■ View images ■ View returned item images	■ Access to accounts ■ Access to specific special reports
International banking services	■ View international balance pages ■ View and export international reports ■ Initiate report requests	Access to accounts
Investment reporting	View and export investment reports	Access to accounts
Positive pay	■ Decision ■ Approve decision	■ Access to accounts ■ Adjust amount, payee
Reverse positive pay	■ View transactions ■ Decision	■ Access to accounts ■ Adjust amount
Stop payments	■ Place stop payment ■ Approve stop payment ■ Modify stop payment parameters	■ Access to accounts ■ Up to 50 stop payments per submitted page ■ Up to 50 pages of stop payment submitted per session
Wire transfer	Initiate ■ Domestic repetitive ■ International repetitive ■ Domestic non-repetitive ■ International non-repetitive ■ Repeat code request Approve ■ Wire transfer ■ Templates ■ Repeat code requests ■ Create templates	Access to accounts Limits—Up to eight levels: Initiate ■ Per transaction semi-repetitive ■ Per transaction repetitive ■ Per transaction non-repetitive ■ Daily cumulative (all types) Approve ■ Per transaction semi-repetitive ■ Per transaction repetitive ■ Per transaction non-repetitive ■ Daily cumulative (all types)

e.	**Describe the security measures the State's Treasurer's Office will be responsible for.**

Response:
SinglePoint offers dual-system administration as an option upon setup. If you select the option requiring dual-system administration, all changes to user access or limits require a second system administrator's approval to process.

System administrators have the authority to:

- Create, modify and delete users.
- Assign user access to services, functions within services, accounts for viewing and transfer dollar limits.
- Inactivate and reactivate users.
- Reset user passwords.
- Rename (nickname) accounts and reordering how accounts appear when listed in SinglePoint.
- Change settings at the global (client-wide) level. For example, system administrators can set or change the number of required approvals for a wire transfer.
- View, audit and profile reports for all users.

f.	**Describe the bank firewalls to protect customer information.**

Response:
U.S. Bank deploys several layers of industry standard firewalls and intrusion detection systems. For security, SinglePoint employs 128-bit encryption, SSLv3, and individual customer IDs and passwords. Additionally, VeriSign Tokens are required to transmit ACH transactions.

g.	**Describe the additional types of user authentication available besides user ID and password.**

Response:
U.S. Bank encrypts all passwords and PINs using the highest HTTPS encryption routine supported by your browser. We also require Entrust tokens to access payment functions.

h.	**Describe the number of users the State can allow access to the online solution and how many can be on at one time.**

Response:
There is no limit to the number of users who can have access to SinglePoint. Access for each user is managed by the State's administrative user via role-based access controls.

i.	**Describe how the online solution upgrades are completed.**

Response:
SinglePoint upgrades deploy directly to our internet servers and are available immediately to all SinglePoint clients.

When changes to SinglePoint occur, we dispatch communication via SinglePoint-Release Notes. The release notes alerts the end user of the system updates, highlights the changes to the system and walks the user through how to utilize these changes.

j.	Describe how the previous day reporting will be available by 8:00 AM CT.

Response:

- Previous day reporting data is available each day at 6 a.m. CT.

SinglePoint Information Reporting		
Previous day reporting – Available by 6 a.m. CT BAI Transmission information is available by 7 a.m. CT		
Transaction types	▪ Ledger Balance ▪ Opening Collected Balance ▪ One Day Float ▪ Two Day Float ▪ Three Day + Float ▪ Collected + One Day Float ▪ Total Credits	▪ Total Number of Credits ▪ Total Debits ▪ Total Number of Debits ▪ MTD Average Collected ▪ MTD Average Negative Collected ▪ Opening Ledger Balance (optional)
Transaction detail	▪ ACH debit and credit transactions (addenda are reported on the EDI Remittance report or can be added to previous and current day reporting) ▪ ACH originated item detail reporting (reporting of items within a settlement can be added to previous day reporting)	
	▪ Coin and currency purchases ▪ Complete wire transfer transaction details ▪ Controlled Disbursement presentments ▪ Checks paid ▪ Deposited items returned	▪ Location numbers ▪ Lockbox deposits ▪ Wire transfer credits ▪ Wire transfer debits ▪ ZBA credits
Reports	▪ Previous Day Summary and Detail ▪ Previous Day Detail ▪ Previous Day Summary ▪ Previous Day International Summary and Detail ▪ Previous Day International Summary ▪ Previous Day International Detail	▪ DDA Checks Paid ▪ ACH Return and NOC ▪ ACH Healthcare Claim Payment ▪ ACH Secured Funds Pledge ▪ ZBA Daily Cash ▪ ZBA Accounting

k.	Describe when funds are available to transfer after settlement (same day, next day, etc.).

Response:

For credit card and debit card payments, the effective date on the remittance file is the date the transaction was sent to the credit card processor for approval.

The reconciliation process may be defined as:
The total bank settlement account deposits for a given postdate equals the total amount of transactions processed on the remittance file.
The credit card transactions on the remittance file equal the sum of the transaction amounts on the U.S Bank Merchant Services Credit Card Information for a given postdate.

l.	**Describe the deposit information listed on the previous day report and how each deposit can be tied back to the agency and provide an example.**
Response: Please see the Exhibits for the Merchant Detail Reporting Quick Guide. We have the capability for a customer defined unique identifier to be passed to us during authorization and fed all the way through to our reporting systems. These needs are identified during the implementation planning and process.	
m.	**Describe all reports available online. Describe how the reports can be customized.**

Response:
The State will have access through SinglePoint to current day, previous day and customized reporting. Please refer to the Exhibit section for **Sample Current Day Reports** and **Sample Previous Day Reports**.

Below are the available reports on SinglePoint.

SinglePoint Current Day Reporting		
Summary Reporting		
Opening ledger balance	Interim one-day float	Number of debits
Current day credits	Interim three-plus-day float	Interim collected
Current day summary and detail	Controlled Disbursement draft summary	ACH summary
Current day summary	Lockbox detail	Interim ledger
Current day debits	Opening collected balance	Interim two-day float
Number of credits		
Detail Reporting		
Current day detail	Controlled Disbursement check debits	Lockbox deposit
ACH detail	Controlled disbursement/draft detail	Wire transfer transactions
ACH transactions	Federal Reserve Bank settlement activity	Other paper deposits
Wire transfer detail	Foreign exchange and global trade	Other items, such as ATM, phone and branch-initiated transactions

SinglePoint Previous Day Reporting		
Summary Reporting		
Ledger balance	Opening collected balance	Total credits
One-day Float	Opening ledger balance (optional)	Total number of credits
Two-day float	Month-to-date (MTD) average collected	Total debits
Three-day-plus float	MTD average negative collected	Total number of debits
Collected plus one-day float		
Detail Reporting		
ACH debit and credit transactions (addenda are reported on the EDI remittance report or can be added to previous and current day reporting)	ACH originated item detail reporting (reporting of items within a settlement can be added to previous day reporting)	Deposited items returned
Coin and currency purchases	Complete wire transfer transaction details	Location numbers
Wire transfer credits	Controlled disbursement presentments	Lockbox deposits
Wire transfer debits	Checks paid	ZBA credits

SinglePoint allows the State to create custom reports based on your specified criteria. (Available options are described below). Your users can save the filters they build and share them with other users.

Available Criteria for Custom Reports	
Remove and reorder accounts	Date range
Transaction types (BAI codes): summary code groups, transaction detail groups, Individual BAI codes	Transaction amount or range of amounts
Transaction amount or range of amounts	Transaction reference number or range of transaction reference numbers

Additional customization is available for exporting files in CSV format, which allows you to remove fields and designate field position order.

n. Describe information available on current day and previous day reporting. Example: Merchant ID or merchant name and amount.

Response:
Please refer to the Exhibits section for the Merchant Detail Reporting Quick Guide.

o. Describe the ability to view, print, and download daily reports for previous day and current day activity, include all formats available.

Response:
The State can continue to view, print, and download daily reports for both previous and current day activity. The daily deposit activity detail file is available in BAI2, ANSI and X12 821 formats, as well as custom flat file.

The data is available through direct transmission or by accessing SinglePoint. Internet Explorer 11.0 or higher is required to access SinglePoint.

Our supported transmission methods include:

- Three internet-based options:
  - Secure file transfer protocol (SFTP).
  - Secure command line file transfer protocol (FTP).
  - Secure hypertext transfer protocol (HTTPS).
- Frame relay and virtual private network (VPN) leased connections.
- Value added network (VAN) transmissions.

Technical requirements vary depending on the option selected..

p. The contractor must charge the State for all banking fees, excluding merchant fees, on a monthly analysis statement. Describe the ability to provide monthly analysis statements online. The account analysis must be made available online no later than the 15th of each month for the previous month's charges. Online reporting must be downloadable in an editable file format. List available formats.

Response:
Account analysis statements are available on SinglePoint by the seventh business day of the month (eighth business day by mail). The fees are due by the 10th business day of the month.

SinglePoint provides statements on the first day of the month following month end. Users can request a message alert for notification.

- DDA statements in PDF and TXT formats are available by 8 a.m. CT of the second day following month end. If the end of month falls on a Friday, the statement should be available on Monday.
- DDA statements with check and/or deposit ticket images are available in PDF format only.
- CSV formatted statements are available by 6 a.m. CT.

q.	**Describe the length of time data is retained and how to retrieve it. Explain any options for extending the data retention time frames.**
Respond: SinglePoint retains previous day data for 60 days and current day data for 10 days. Additional retention periods for previous day information are available for an account-level charge. ▪ 12 months ▪ 24 months	
r.	**Describe how to initiate and complete wires, as well as make book transfers using the online solution.**

Response:
We currently provide this under Contract Number 66533 O4, Payment (Credit and Debit) Card Processing Services.

SinglePoint is an online wire transfer initiation option accessible via any computer with internet access. Users must have assigned user IDs, passwords and a generated token password to initiate or approve wire transfers. Physical location is not a restriction. The following is a description of the basic SinglePoint wire origination process.

Initiation	Approval	Release
▪ An authorized user logs in to our browser-based interface (SinglePoint) via the internet and initiates wire transfers. ▪ The user must enter a PIN prior to submitting the wire transfer.	▪ An authorized approver accesses the non-repetitive wire transfer in SinglePoint and approves it. ▪ Approval requirements can be defined for repeat codes and template-based repetitive wire transfers through the administration tool on SinglePoint.	▪ You transmit the approved wire transfer directly to us from SinglePoint. ▪ We release wire transfers within a few seconds of receipt if free of errors and sufficient funds are available.

SinglePoint provides a batch entry feature to enter batches of full repetitive and semi-repetitive transfers. There is no maximum volume per batch. The batch entry function supports domestic (Fedwire, internal and drawdowns) and international U.S. Dollar (USD) wire transfer types. In addition, all or multiple transactions may be approved at one time.

Semi-repetitive transfers allow the initiator to enter additional wire transfer instructions into these fields:

- Originator-to-beneficiary information (OBI)
- Bank-to-bank information (drawdowns only)

SinglePoint also provides a batch input through the import feature. There is no maximum volume per import file. Import files support domestic (Fedwire, internal and drawdowns) and international USD wire transfer types. Repetitive and non-repetitive wire transfer types are supported in import files sent to SinglePoint.

U.S. Bank SinglePoint Book Transfer enables businesses to manage their financial position and easily move funds between U.S. Bank accounts, including checking, savings, loan, and IT&C trust accounts.

- Funds are immediately available upon completion of a book transfer.
- Users can initiate up to 25 book transfers on a single page or from an existing template.
- Specifically, SinglePoint Book Transfer enables customers to:
  - Move money quickly and easily between U.S. Bank accounts
  - Perform multiple book transfers at once
  - Enhance security through optional secondary approval
  - Track and manage book transfer information.

s.	**Describe the method used to accept real-time payments and post them the same day.**

Response:

Using real-time payments (RTP), you can transfer funds directly between financial institutions to your trading partners. Unlike wire transfers and ACH payments, funds can move at any time and settle instantly. This provides significant value for organizations that can benefit from 24/7 payment processing.

An RTP can be initiated via SinglePoint. Within SinglePoint you can send, receive and respond to RTP credits, requests for payment (RFP), requests for information (RFI) and request for return of funds (RFRF). You can also view the status of payments including remittance and payment acknowledgements and access multiple activity reports.

t.	**Describe how repetitive wire templates can be set up online and for call in wires. Describe the process to set up and process both options.**

Response:

We currently provide this under Contract Number 66533 O4, Payment (Credit and Debit) Card Processing Services.

We offer State of Nebraska the following options for establishing repetitive wire transfers:

- Internet—You can request repeat codes online via SinglePoint. Additionally, you can create wire transfer templates that provide repetitive wire data for your use. The wire transfer system treats templates as non-repetitive transactions since they can be modified by a single individual with access to your SinglePoint.
- Mail—Mailing the authorized request form is the standard method to request repeat codes if you do not use SinglePoint Wire Transfer.
- Other—You can request the set-up of a repeat code for use as a repetitive wire transfer by completing our Wire Transfer Repetitive Transfer Authorization form. Repeat codes are uploaded into SinglePoint for use. If you utilize batch wire, you can use repeat codes within your transmitted files.

u.	**Describe the notification received by the Treasurer's office for incoming and outgoing wires and how it will be provided. Please provide a sample notification.**

Response:

We currently provide this under Contract Number 66533 O4, Payment (Credit and Debit) Card Processing Services.

SinglePoint Wire Transfer provides State of Nebraska a real-time interface for wire transfer initiation, confirmation and wire transfer advice reporting.

- When a user completes and submits a wire transfer request, SinglePoint immediately assigns a confirmation status and an internal control number.
- When the wire transfer is received for processing by our wire transfer system, it is assigned a wire transfer payment application reference (PAR) sequence number.
- After the domestic wire is sent to the Federal Reserve System and is processed successfully, a Federal Reserve reference number (Fed Reference number) is assigned.
- The completed wire transfer record displays all four tracking references – confirmation status, (internal) control, PAR and Fed Reference numbers – on the Wire Transfer Activity page in SinglePoint.
- In addition, you may obtain this information from the Wire Activity report (full detail on all wire transfers initiated through SinglePoint) and the Wire Detail report (full detail on all incoming and outgoing wire transfers initiated through all channels).

For voice and batch wire methods, wire transfer requests are tracked with the wire transfer PAR (sequence) number and are assigned a Fed Reference number upon completion. Phone, fax and mail wire advices are available for all wire initiation methods.

For notification of incoming wire transfers there are various reporting and remittance options available, including SinglePoint Information Reporting Current Day reports, data extract reports via transmission and wire advices.

v.	**Describe the method used to provide a daily Comma Separated Value (CSV) export of transactions on the bank account's prior day activity by 8:00 AM CT.**

Response: The State can choose the delivery method that works for you. ■ BAI2 previous files can be downloaded from SinglePoint. The files can also be scheduled through SinglePoint Report File Delivery, within the SinglePoint application. ■ Information reporting direct transmission (host to host), outside of SinglePoint. **BAI Information Reporting Direct Transmission (host to host)** The State can access both previous and current day account reporting in BAI2 format. ■ Previous day information can be scheduled for delivery daily, weekly or monthly. ■ Current day information can be scheduled generally every hour from 8 a.m. to 5 p.m. CT, with additional times in the morning due to Controlled Disbursement reporting. Current day transmissions can also be sent every 15 minutes between 7 a.m. to 7 p.m. CT, as cumulative or incremental data. **SinglePoint Report File Delivery (email or transmission)** Our flexible options give you your information at the time you want and in the format you need. ■ **Previous day**—Daily, weekly or monthly. ■ **Current day**—From 7 a.m. CT to 7 p.m. CT for up to 15-minute intervals. ■ **International**—Daily, monthly or at custom times, any half hour over a 24-hour period. The State controls delivery schedules for all accounts and reports based on entitlements. Individual users can opt to automatically receive reports via email or transmission the day after creation. ■ Mail delivery for previous and current day reporting and approximately 30 special reports. ■ Transmission delivery (push or pull options) for previous and current day reporting. Both machine readable and human readable formats are available, including: ■ BAI2 ■ Excel ■ CSV ■ PDF ■ TXT International account data is available in BAI2, CSV and PDF.	
w.	**Describe the layout of the CSV format to be exported.**
Response: We currently provide this under Contract Number 66533 O4, Payment (Credit and Debit) Card Processing Services. Please see the Exhibits section for the CSV tile specifications.	
x.	**Describe how earning credits are calculated and provide a list of the prior 12 months Earning Credit Rate (ECR) used for bank analysis also include the current rate.**

Response:
The August 2021 ECR for the Nebraska State Treasurer's account is 0.30%. The bank's standard ECR rate is currently 0.16%.

Month	Rate
August 2020	0.30
September	0.30
October	0.30
November	0.30
December	0.30
January 2021	0.30
February	0.30
March	0.30
April	0.30
May	0.30
June	0.30
July	0.30
August 2021	0.30

The offered Earnings Credit Rate (ECR) will be equal to the greater of:

1) The Target Federal Funds Rate flat or

2) The Minimum Rate of 30 basis points (0.30%), for as long as the Target Federal Funds Rate is equal to or greater than zero. Should the rate fall below zero, the Minimum Rate will revert to a bank-managed rate.

The earnings credit is calculated as follows:

$$\frac{\textbf{Collected Balance Available for Earnings Credit} \times \textbf{ECR} \times \textbf{Actual Days in the Month}}{\textbf{365 or 366*}}$$

FR 14 – Implementation and Post Implementation Support	
a.	**Provide a detailed example that includes a step-by-step process of the implementation plan.**

Response:
We have proven strategies and methodologies to assess and develop a successful implementation plan for this type of initiative.

The implementation timeframe will be determined at the time of the initial customer contact and your needs will be addressed through that discovery. Several factors will determine the timeframe including size of the implementation, expectations, hard conversion dates due to prior processor contract expiration and readiness of your staff to migrate.

We approach projects of this scope through a defined program management process. In the initial phase, our team identifies the processes and tools required to implement and validate the project. We then systematically develop a resource plan and roadmap that maximizes the potential for success through end-to-end management of the deployment and the associated processes and tools.

After the initial phase, we develop the following:

- Current state assessment design and roadmap
- Project roadmap and project plan
- Then, our team will execute against the project plan

We use key personnel to manage the work of the project and supplies subject matter experts (SMEs) as needed to assist the team in analyzing and preparing all project deliverables. All of these resources are skilled and experienced in their defined roles. The management team consists of:

- An Implementation manager
- Full-time project managers
- A business intelligence resource

We align the roles and responsibilities to the strengths, knowledge, and skill sets of the blended team.

b.	**Provide an implementation timeline giving estimated lengths of time.**

Response:
As the incumbent provider, we do not foresee the need for an implementation project. Should you choose to implement a new solution or add locations, our training services include:

- Verification that equipment packages arrived (to include cords, cables, etc.) and assist with the initial setup.
- Verification of Welcome Kit materials (cords, cables, signage, quick reference guides, etc.).
- Provide client training on payment processing (Visa, Mastercard, Discover, American Express, PIN debit, electronic gift card and electronic check services).
- Terminal downloads on existing equipment (reprogramming).
- Terminal downloads for adding additional services.
- Provide terminal installation assistance (new devices).
- Provide terminal training on basic functions (sale, credit, void, force, reporting and settlement).
- Installing and training on PC products.
- Installing and training on mobile applications.
- Provide training on reporting services/websites such as MerchantConnect and Payments Core 365.

c.	**Describe the resources that will be available during the implementation plan, including but not limited to technical support, on-site visits and weekly or monthly calls.**

Response:
Our internal groups that support the implementation include Solution Design & Engineering group, programmers as well as the Large Merchant Implementation group.

If required, as part of the implementation process, the transition will occur as follows:

- Implementation and Account Management teams will work closely to monitor all production activity (Funding, billing, transaction processing, etc.).
- Upon completion of launch, the implementation lead will facilitate a project postmortem. This review will ensure that we achieve your objectives for the project.
- The implementation manager will then transition ownership to the Account Management team to assist in the long-term strategic growth of the relationship.

To ensure a successful implementation, we would also request that you assign a project manager as well as an executive sponsor. Based on previous implementations with entities similar to yours in size and scope, we have found this to be a winning combination. Additionally, at certain points in the project, we have learned that review and input from the following teams is often useful as well:

- Infrastructure/Operations

- IT Support
- Finance
- Treasury
- Administration and Training

d.	Describe the methods used to communicate industry updates, rules and regulations. How often are they distributed or published?

Response:
Jay Johnson, your client executive and Mysta Bosse, your operational account executive, will also work with you to keep you informed of significant updates and disseminate news industry-related rules or regulatory changes. You also have links to payment network rules and regulations that are available online, along with assistance in interpreting and understanding them. We also provide information regarding industry issues through our MerchantConnect customer portal. As industry experts and your advocates, we consider it our mission to find the best ways to not only understand industry rules and regulations, but also help you determine the best ways to integrate them into your existing business model.

e.	Describe any on-going training available as upgrades or system changes occur.

Response:
Ongoing training will be coordinated through Jay Johnson, your client executive and Mysta Bosse, your operational account executive, on an as needed basis, allowing you to develop and maintain a training curriculum to meet your specific and personalized needs.

f.	Describe the warranty on any terminals, including all hardware components Detail how terminals are supported post implementation to provide uninterrupted service.

Response:
Equipment Warranty Guidelines:

- Less than 30 days (unless act of nature or merchant abuse) – usually free both for purchased and lease equipment
- Over 30 days but less than 1 year (unless act of nature or merchant abuse) – $35.00 for shipping and handling unless approved to be waived per management / director approval email
- Over 1 year (unless act of nature or merchant abuse) – $150.00 for swap total including shipping / handling unless approved to be waived per management / director approval email
- Equipment never having been deployed (swapped through Elavon) – $230.00 for swap total including shipping / handling unless approved to be waived per management / director approval email
- Obsolete equipment: Customer must order new equipment.
- Lease equipment: $35.00 per swap for duration of lease for shipping / handling per lease contract unless approved to be waived per management / director approval email.

Elavon warranty policy on MagTek card readers is the same as for terminals or other deployed equipment

Post implementation support
We have maintenance/swap processes in place to handle replacement of malfunctioning terminals. Typically, we replace the malfunctioning terminal for a like terminal. Generally, we are able to send out the replacement terminal with a 24-hour turnaround. If the request is placed after 2 p.m. CT, or on the weekend, it will be handled on the next business morning.

Our standard terminal maintenance program provides the following:
- If you purchase a new terminal from us, we will swap the malfunctioning terminal for a like terminal.
- If you have an existing terminal upon coming to Elavon that malfunctions after setup, we will swap the malfunctioning terminal for a like terminal.

Our Deployment Center is located in a company owned 26,000 square foot facility in Knoxville, TN. Our facility provides equipment deployment, terminal programming, inventory management (both internally and in field active devices), PIN encryption, equipment testing, and repair or refurbishment. Our Deployment Center is one of the only fulfillment centers in the industry to operate 100% turnkey and has the largest repair facility in the industry licensed by all major equipment vendors to conduct in house repairs.

g.	**Describe how trained maintenance staff will be available and must be capable of diagnosing and isolating issues with the terminals.**

Response:
For routine services, we operate call centers for customer assistance that are supported by dedicated and well-trained staffs of service professionals. We provide 24/7 customer support team through our Knoxville Tennessee and Denver Colorado call centers, along with trained staff and supervisors for escalations. Our customer service team provides multilingual support. When needed, we use the Language Line Service. Our voice authorization center handles English, Spanish and French inquiries.

h.	**Describe how credit card terminals that no longer function as designed will be replaced at no cost to the State.**

Response:
With today's payment processing technology, most situations are resolved by troubleshooting with our Customer Care team or through a download. However, there may be situations where a customer's terminal needs replacement.

We offer an exchange/swap program for all distributed (Class A) devices. While manufacturers do offer their own warranties on new equipment, our mutual customers can experience a significantly easier process when utilizing our program. There may be a time difference between what the manufacturer offers versus Elavon, plus the level of service they receive.

While swaps are handled on a case-by-case basis, the following is a brief overview of our internal service program. Please note that in some situations, for example, the customer purposely damages the device, there could be a different cost.

- Purchases and Rentals less than 30 days – No cost
- Rentals – $55.00 fee per swap for shipping & handling for active Elavon customers
- Purchases over 30 days but less than 1 year – $55.00 fee for shipping and handling
- Purchases over 1 year – $234.00 fee for swap. This includes the cost for shipping & handling
- Equipment not originally deployed by Elavon – $255.00 fee for swap. This includes the cost for shipping & handling
- Obsolete equipment – The mutual customer must order new equipment through the MSP

FR 15 – Other

a.	**Describe what types of training will be offered on bank processes and procedures during the transition.**

Response:
We prefer a partnership model to more traditional vendor relationships, and will provide installation and training services to you via telephone and online. These services include:

- Verification that equipment has been received and assistance with initial setup.
- Verification that Welcome Kit materials (cords, cables, signage, quick reference guides, etc.) have been received and providing additional materials as required.
- Training on payment processing for your employees for Visa, Mastercard, Discover, American Express, PIN Debit, Electronic Gift Card, and/or Electronic Check Services.
- Reprograming of existing equipment.
- Adding and training your employees on additional services.
- Installation and training on our hardware, PC, and mobile products.
- Training on reporting services/websites such as MerchantConnect, Online Case Manager, and Payments Core 365.

Ongoing training will be coordinated through your operational account executive on an as-needed basis, allowing you to develop and maintain a training curriculum to meet your specific and personalized needs.

Your Account Management team will engage the various experts to provide specific training to meet your requirements. We offer a variety of training tools to generate custom trainings and experiences that best suit your specific needs. Examples of some of the available training tools include:

- Bulletins
- Training Seminars
- WebEx Training

b.	**Describe how test cards can be used. Will test cards be provided upon request? What is their functionality and features? What is the lead time to set this up? Will there be a charge to provide test cards?**

Response:
We provide test numbers and/or cards to use during the testing process.

c.	**Describe any fines received for violation of rules or regulations of any Card Association not caused by a merchant customer, include when it happened and what it was for.**

Response:
To the best of Elavon's knowledge, there are no current, pending material fines from the Payment Networks, which would impair Elavon's ability to carry on its business substantially as now, conducted, or which would adversely affect Elavon's financial condition or operations.

d.	**Describe how the merchant will be notified of any interchange and assessment fee changes.**

Response:
We believe in solid preparation for regulatory releases in order to lower the impact of these changes to our customers. Typically, the Payment Networks will make changes two times per year to their programs. These changes may require members and acquirers to make modifications to systems and message formats in order to comply with or take advantage of new programs that benefit their respective customers.

We invest extensive technical hours per year in preparing for interchange regulatory releases; thus, ensuring that the platform is achieving results for our customers and complies with any new or updated rules. Further, while the Payment Networks consider pre-release testing as optional, as part of our release process, we always conduct vigorous pre-release testing. This consists of transmitting outgoing files to the Payment Networks to ensure proper format and to validate interchange-clearing programs. The investment of time to operate in this manner assures our customers that they will not encounter problems when release code goes into production.

e.	**Describe what supplies or signage can be provided or purchased to be used in conjunction with services offered.**

Response:
New customer accounts receive a welcome kit including:

- Welcome Envelope
- Imprinter plate
- Sales and credit slips
- Auth sticker
- Decals - (American Express, Discover, Visa, Mastercard, Debit, etc.)
- Terminal paper rolls (if applicable)
- Cabling (Internet cable, phone cable, power supply,)

If you need additional materials, Jay Johnson, your client executive, can assist.

f.	**Describe how adjustment will show on the merchant bank statement for pricing errors for a specific agency.**

Response:
We have Business Intelligence tools and reporting that provides data collected in the transaction process. These tools include robust reconciliation tools and enhanced reporting capabilities. This includes Payments Core 365 (flat files), MerchantConnect (online reporting) and the Executive Management Reports (EMR).

Payments Core 365 provides a raw export of all processing data for ease of use through data analytic software and Software as a Service (SaaS) provider. A complete detail of every transaction, from each location, including all processing data is provided through reports that can be built on custom hierarchies chosen by you. Blending security and accessibility, we retain this data on our servers until requested through Secure File Transfer Protocol (SFTP), allowing you to gather this on demand, manually or automatically through scripts.

g.	**List all industry-related associations or organizations your company is a member or in which it has direct representation. Including but not limited to any company representation on MasterCard or Visa's boards or committees.**

Response:
Organizations that we have an active role in support of merchant advocacy include (not all inclusive):

- Merchant Acquirers Committee (MAC) with one senior member on the Board of Directors and two additional senior members on the Board of Directors Advisory Committee
- Electronic Transactions Association (ETA)—Our team members serve as Chair of the Large Processor Council Committee and also participate on the Mobile Payments, Government Relations and Strategic Leadership Forum Committees.
- Association of Financial Professionals (AFP)
- NACHA (National Automated Clearing House Association)
- British Retail Consortium (BRC)
- UKCA (UK Cards Association)—Our Financial Services LTD serves as a board member
- PCI Security Standards Council participating organization

h.	**Describe how the State will receive assistance ensuring each MID is collecting all information required to avoid a downgraded transaction.**

Response:
We use interchange break-even points to give you the most beneficial costs when multiple interchange rates are available for a particular transaction, depending on the transaction amount. We also have downgrade reporting abilities at the customer level that allow our customers to monitor their accounts daily, weekly and monthly.

We understand the importance of optimizing service levels to help you better manage the costs associated with card acceptance. We position to help you proactively achieve savings associated with interchange by working with you to anticipate Visa and Mastercard changes, minimizing negative impacts, and to capitalize on the opportunities these changes create.

Targeted interchange qualification levels are established through a review of your past processing history, as well as industry averages. We further provide strategic account reviews on a regular basis to provide in-depth analysis and insight into your interchange usage; enabling you to manage pricing to your advantage.

We believe in solid preparation for regulatory releases in order to lower the impact of these changes to our customers. Typically, the Payment Networks will make changes two times per year to their programs. These changes may require members and acquirers to make modifications to systems and message formats in order to comply with or take advantage of new programs that benefit their respective customers.

We invest extensive technical hours per year in preparing for interchange regulatory releases; thus, ensuring that the platform is achieving results for our customers and complies with any new or updated rules. Further, while the Payment Networks consider pre-release testing as optional, as part of our release process, we always conduct vigorous pre-release testing. This consists of transmitting outgoing files to the Payment Networks to ensure proper format and to validate interchange-clearing programs. The investment of time to operate in this manner assures our customers that they will not encounter problems when release code goes into production.

i.	**Describe how the State will receive assistance with Fraud Identification, including but not limited to the thresholds in place and how notification would occur.**

Response:
In order to safeguard our customers' and cardholders' data, we use a combination of security measures including:

- Firewalls
- Intrusion detection systems
- Data loss prevention systems
- Data encryption
- File integrity monitoring systems
- Access controls
- Patch management controls and physical security controls to ensure unauthorized users do not access systems or data.

Similarly, to monitor our network, we utilize intrusion detection systems and monitor internet traffic while leveraging network and host-based controls. We use such controls to monitor performance and stability.

We are subject annually to audits for: Statement on Standards for Attestation Engagements 18 (SSAE 18), Sarbanes-Oxley, Gramm-Leach-Bliley (through the Office of the Comptroller of the Currency), and Payment Card Industry (PCI) compliance. We also have internal audits.

Our facility security includes:

- Security guards at all locations.
- Video monitoring of all entry points to the buildings and critical data centers.
- All door entry points are secured 24/7.

Protecting our customers against fraud losses is critical to our mission and built to our operations. Our network, products and processes are all designed around extensive fraud monitoring and control features. These include risk management and fraud prevention tools as well as a layered security approach to keep transactions secure throughout the payment cycle.

- Advanced Risk Management System (ARMS)—Our proprietary and robust set of risk management and fraud prevention tools contains empirically derived scorecards that identify risk prior to and following customer funding. In addition, the system has a business rules-based engine that triggers customer risk situations for review by investigative analysts. ARMS is designed to protect and reduce financial exposure, while adding protection for our customers.
- Code 10 authorization requests—Sales that are larger than a business's average ticket or that include requests for shipment outside of the U.S. can be checked through our Voice Authorization team. A Code 10 authorization is requested by calling our voice authorization center and requesting a "Code 10" authorization. This notifies the operator that the sale, whether card-present or card-not-present, is suspicious. The authorization center contacts the card issuer in an effort to validate the sale prior to the business processing the payment.
- Layered security approaches—Once payment information is received by us, it is kept secure from authorization to settlement. Through our solutions, our customers have the option to add additional layers of security including EMV and tokenization.
- EMV technology is supported on our devices, reducing fraud risks for your business and your customers
- Encryption and tokenization enable you to streamline the process of compliance while reducing expenses associated with the security effort. These solutions effectively remove cardholder data from your environment.

Merchant Card Services

Request for Proposal

RFP # RFP 6556 Z1

Presented to:

The State of Nebraska

Annette Walton
Buyer - State Purchasing Bureau

Connie Heinrichs
Buyer - State Purchasing Bureau

Submitted by:

Greer Almquist – U.S. Bank
Vice President | Government Banking

Jay Johnson - Elavon
Client Executive | Strategic Markets-Public Sector

August 10, 2021

usbank | Elavon

August 10, 2021
Attn: Annette Walton / Connie Heinrichs
State of Nebraska - State Purchasing Bureau
1526 K Street, Suite 130
Lincoln, NE 68508

Re: RFP 6556 Z1 Payment (Credit and Debit) Card Merchant Processing Services

Executive Summary

U.S. Bank and Elavon wishes to thank the State of Nebraska for the opportunity to present our proposal for credit and debit card-processing services. Please note that we have also received / reviewed the four RFP addendums. U.S. Bank is committed to providing a complete solution to fulfill the card processing needs of the State and its agencies, and other participants. This proposal intends to outline how we can meet and exceed your processing requirements.

We recognize the strategic importance of building a strong and trusted relationship with the State. For the past 6 years, Elavon has worked in close association with the State and its Agencies to provide effective solutions across a wide array of payment acceptance environments. We look forward to continuing this mutually beneficial relationship well into the near future. As an organization, we aim to extend long-term partnerships by providing high quality, flexible, and reliable service, at market competitive prices. The current relationship the State has with U.S. Bank and Greer Almquist, who is the State's U.S. Bank Government Banking Relationship Manager, demonstrate this very concept.

<u>Corporate Overview</u>
U.S. Bank, National Association, a corporation, is the fifth largest commercial bank in the United States, and its corporate headquarters is located in Minneapolis, Minnesota. The company operates 2,306 banking offices, 4,079 ATMs in 26 states providing a full line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. U.S. Bank is recognized as one of the most stable and top performing financial institutions today.

U.S. Bank has been providing payment solutions for merchants since 1968. On July 24, 2001, U.S. Bank, N.A. acquired Elavon, Inc. (formerly known as NOVA Information Systems). Through the alliance with Elavon, Inc. (Elavon), more than 1.4 million merchants trust us to manage their payments business. We extend powerful payment solutions, flexible connectivity, data security services and effective fraud monitoring tools to customers around the globe, from smaller retail merchants to national retailers and airlines, as well as large organizations in segments such as public sector, hospitality and health care.

We also take pride in the part we play in connecting people through payments and the value we provide to our customers. We have strong industry expertise in the public sector and a dedication to innovation. We provide end-to-end services, which gives us complete visibility into transactions and merchant needs, while allowing us to reduce the cost and complexity of multiple vendor relationships. Our payment products include credit and debit card processing, electronic check services, gift cards, electronic bill presentment solutions, kiosk payments, and end-to-end encryption and tokenization options for added data security and 'PCI alleviation'. We handle every aspect of the acquiring relationship - transaction processing, risk and underwriting, settlement, equipment deployment, chargeback management, reporting, and customer service.

We are confident that we can continue to provide the best solutions to meet your credit card processing needs by delivering the following:

- A truly global platform for all types of business, with a footprint that extends across North America and Europe to drive global commerce
- A commitment to connecting businesses and communities
- Innovative partnerships that engage and improve customer experiences

Understanding Your Needs

Our obligation and objective is to be a good steward of your resources and help discover new and innovative ways to streamline your financial operations. We strive to help further improve the quality of service that your customers receive, and to save you money.

The State seeks a provider that can provide a full range of payment processing services, and serve as a trusted financial partner and consultant. This is what U.S. Bank can offer. In addition, given that U.S. Bank owns its own merchant processing acquirer, Elavon, we are in a unique position to optimize delivery of our industry leading solutions. As two closely linked organizations within the same company, a partnership with us provides a series of benefits to the State:

- Collaborative Payment Solutions
- Staff Knowledge and Coordination
- A Proactive, Consultative Approach
- Committed Partnership
- Executive Management Oversight and Support

With U.S. Bank as your payment services provider, you will realize:

Experience - U.S. Bank is already providing payment services to many of the State's peers. We offer government specific experience. We offer full understanding of public sector / emerging market interchange fee programs, and optimal transaction level (fee) qualifying to minimize transaction costs, as well as the card associations' convenience / service fee guidelines. We are also able to bring these best practice solutions to the State.

Security of Data / PCI Compliance - U.S. Bank is a card association member, and we have worked with Visa and Mastercard during the development of their data security rules and regulations. Our systems and payment services are fully compliant. Whether using terminal devices or our online solutions, the State will have access to the country's most reliable transaction processing network, and full PCI compliance. And with proven technologies such as end-to-end encryption and tokenization (our SAFE-T offerings), which can prevent the types of system attacks associated with a data breach, you have access to maximum data protection- as well as be able to remove the payment applications from PCI scope, in order to minimize your PCI-related efforts and costs.

We recognize the strategic importance of building a strong and trusted relationship with the State. As your strategic partner, we are dedicated to several initiatives, including:

- Sharing our technical capabilities and experience to help you attain your financial goals
- Delivering world class client service
- Adding value to your planning process
- Maintaining a constant focus on innovation and enhancements
- Providing relationship continuity

Our legacy of providing financial services to governments, higher education and non-profit agencies gives us a unique perspective in meeting the needs of the public sector. U.S. Bank is a national bank, with a local presence, with close to 5,000 public sector relationships throughout the country. We take great pride in our approach, particularly with regard to the unique needs of our clients. We are committed to helping these institutions achieve the objectives of increasing overall operational effectiveness and efficiency of their financial transactions with the use of proven technologies.

We are a leading provider payment services. A decision by the State to continue their partnership with U.S. Bank/Elavon presents numerous long-lasting benefits as well as opportunities in the future. Consider the reasons why U.S. Bank/Elavon is your best option:

- U.S. Bank provides experienced representation and service. Our dedicated representatives work specifically with governmental agencies. We can put that experience to work for you!

- U.S. Bank will continue to provide next [business] day transaction funding. For instance, bankcard transactions transmitted to us by 5 pm on Thursday would deposit to your U.S. Bank depository account on Friday. This would allow your agencies access to expedited funds availability.

- Many service providers only process credit and debit card transactions. We are able to take a broader approach to the payments industry. We offer a full suite of electronic payment solutions including in-house Web and IVR payment methods, payment kiosks, secure payment gateways, convenience / service fee applications, mobile payments, EMV / NFC, and more. For you this means a "one-stop shop" with trusted advisers for all of your financial and payment processing needs. Because we can provide a wide range of payment services, this could mean that you can continue with a single provider. This will simplify your payment, reporting and reconciliation processes - as well as expedite funding and reduce costs.

- Many credit and debit card-processing institutions outsource to third parties. U.S. Bank is unique in this regard, in that we do not outsource our core card-processing services to any third party, but rather these functions are handled in-house through our wholly owned subsidiary, Elavon. This allows us to have greater control over our processes, which translates into greater efficiency, superior client relationships and faster funding.

- We possess the technology and expertise to deliver innovative payment solutions. For example, we have implemented state of the art point-of-sale applications. These include service fees, the Ingenico Lane/3000, Ingenico Lane/7000 devices and our software. The point of sale referenced here features consumer facing touch screen terminals. It integrates with your cashiering and reconciliation systems, performs electronic signature capture, assesses a convenience / service fee to the customer, and has EMV and contactless ('tap and go') capabilities. It also includes end-to-end encryption and card data tokenization for maximum data protection- essentially removing the applications from PCI scope to minimize PCI-related efforts and costs.

- Transaction reporting is provided free of charge through our extensive assortment of online reporting tools, including customized reporting.

- Mastercard has named U.S. Bank's Elavon Network #1 in transaction processing reliability and response time. You can be assured that your transactions will be processed quickly and reliably with U.S. Bank.

- Dedicated and experienced employees deliver products, services and support with an accuracy and clarity that is the best in the payments industry.

More than 1.3 million merchants trust us to manage their payment acquiring business securely and efficiently. We extend powerful payment solutions, flexible connectivity and effective fraud monitoring tools to customers around the globe. The State will also see that because of our size and presence - a leading payments processor worldwide - we are able to counsel with the State over time to make continuous improvements to its payment collections that will benefit the State for years to come.

With our model, the State works directly with us from a support perspective, and is assigned a dedicated service professional to handle day-to-day questions. This eliminates any intermediate personnel, which can cause delays in getting assistance. In addition, because we offer a dedicated payment services group that works exclusively with government clients, we position to be able to leverage programs and resources to assist you in your day-to-day operations. For instance, we can ensure that your accounts are placed on the appropriate interchange programs, such as public sector, emerging market, in order to minimize your interchange fees. We also can offer service fee options for you to be able to potentially minimize or recoup transaction costs if desired.

We are continually working with our government clients to decrease costs associated with electronic payments, and enhance their processes and customer service to their constituents. See the examples below on how we will accomplish decreasing costs.

<u>Utilize Best Practices, Monitor Activity / Qualifications</u>: We offer a wide array of reporting tools, including an interchange qualification report. This report would allow the State and its agencies / participants to monitor how its transactions are qualifying. For example, it would show transaction downgrades and where they are occurring. This would allow you to manage your transaction costs, to be able to identify areas where transactions may not be qualifying at the best available rate. These could represent training opportunities. Your Account Management team can review reports like these with you and make recommendations on how to optimize the reports and minimize fees.

<u>Process Direct</u>: By utilizing the Elavon network directly, we can help you to eliminate unnecessary third party contracts and fees, and provide one source for your service needs.

<u>Additional Services</u>: A future project could be to review payment gateway options to determine if using our gateway provides additional benefits. In many cases, third party gateway providers charge additional fees to utilize their gateways, where we may be able to provide you a superior offering at a lower cost.

<u>Future Payment Services</u>: We offer a variety of service enhancements including service fee options to offset costs, enhanced data security options, professional services, and more. Throughout our relationship, we will provide you with information and help to determine which solutions would make sense for the State, its various agencies and its constituents.

Many processors only process credit and debit card transactions. U.S. Bank is able to offer a much broader approach to the payments industry. We have a full suite of electronic payment solutions, and can provide other services that add tremendous value for our clients. Below are some examples of these.

Payment Optimization
We offer Commercial Card Optimization, another service provided by our Payment Optimization division. The bulk of merchant transaction fees are separate from our fees, and represent the interchange and assessment costs that are ultimately paid to the card associations. With Commercial Card Optimization, we are able to perform a very in-depth evaluation of the interchange costs and transaction qualification levels in order to determine where there may be potential for significant, additional savings.

Service Fee
While there are several options that allow you to transfer some or all of the cost of payments to the payer, organizations that collect payments for taxes, government fees, tuition and education expenses are eligible for service fee programs. This means your point of sale will process a transaction for a payment amount, as well as a second transaction to cover the cost of processing the payment.

When you elect to have us manage your service fee program for you, your processing fees will be covered 100%, meaning you can remain revenue neutral and will not have to devote staff to the review and reconciliation of month-end fees. Your client executive, Jay Johnson, specializes in government and education payments and is here to provide support and assistance as the State's agencies utilize this fee program.

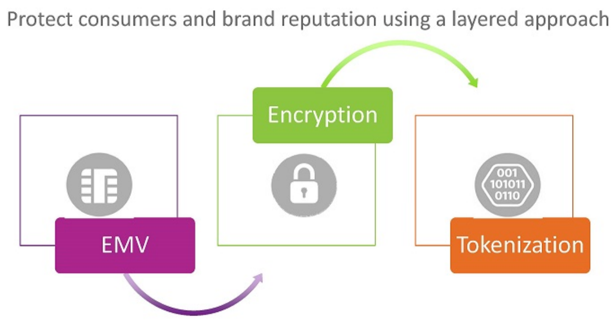
3-D Secure
Elavon is a market leader with 3D Secure (3DS) included a part of our Converge solution. 3DS enables the authentication of consumers with their card issuer when making card-not-present (CNP) eCommerce payments. When paired with an authorization approval, 3DS authentication shifts liability for fraud-related chargebacks to the card issuer. Other providers require integration with third parties to enable this functionality, making 3DS a valuable offering to the State. It also provides benefits including:

- Reducing declines (CNP decline rate is 16 percent compared to 2% CP rate)
- 3D Secure authenticates cardholder using contextual data (IP address geo location, etc.) and cardholder entered date (password or biometric entry).

SAFE-T
Processing payments in a secure environment and protecting customer card data is the key to mitigating the effects of external security threats. With this in mind, we have developed a suite of products to assist the State in securing and tokenizing its transactions. Our Safe-T security solution comes enabled on our smart terminals, such as POYNT, and can be added as an extra layer of security when processing your transactions.

<u>Nothing to find, nothing to steal™</u>
Our Safe-T security solutions currently provide layers of protection, when used in combination with EMV and PCI DSS compliance; to ensure you are doing all you can to protect cardholder data from increasingly complex and evolving security threats. Additionally, an appropriately implemented encryption and tokenization solution can help reduce the complexity of complying with the PCI DSS standards and decrease the costs of your PCI DSS audits, freeing up resources to focus on initiatives that will drive your business forward.

<u>Protect your customers and your reputation</u>
Encryption and tokenization protect cardholder data at all points in the transaction lifecycle – in use, in transit and at rest.



EMV (Europay, Mastercard and Visa) is an open-standard set of specifications for smart card payments and acceptance devices. The EMV specifications were developed to define a set of requirements to ensure interoperability between chip-based payment cards and terminals.

EMV chip cards contain embedded microprocessors that provide strong transaction security features and other application capabilities not possible with traditional magnetic stripe cards.

EMV is for card-present transactions and has three main functions:

- Card authentication to protect against counterfeit cards
- Cardholder verification to protect against lost/stolen cards
- Transaction authorization to manage issuer-defined rules

Encryption is the strongest protection for card data when it is in transit. From the moment a payment card is swiped or inserted (dipped) at a terminal featuring a hardware-based, tamper resistant security module, encryption protects the card data from fraudsters as it travels across various systems and networks until it is decrypted at our secure data center. Encryption is ideally suited for any organizations that process card transactions in a face-to-face or card-present environment. In a card-present environment, there should not be any unencrypted transactions processed when using the terminal and our Safe-T solution. In a card-not-present environment, the same Safe-T solution can be utilized for key-entered transactions ensuring encryption in all processed transactions within your environment. We can support validated P2PE within our Simplify application with a recertification of your existing software solution.

Our encryption solution features format-preserving encryption, which retains the original length and structure of card track data, minimizing or eliminating adverse impact to your point-of-sale systems or message formats.

Tokenization protects card data when it is in use and at rest. After authorization, a unique token ID returns to your point of sale, replacing sensitive card payment data. This token ID is useless to cyber criminals; in the event of a data breach, the token cannot be used for fraudulent purposes. Tokens can be used in card-not-present environments, such as e-commerce or mail order/telephone order (MOTO) or in conjunction with encryption in card-present environments. Tokens can reside on your point-of-sale system or within your e-commerce infrastructure (at rest) and can be used to make adjustments, add new charges, make reservations, perform recurring transactions or perform other transactions (in use).

Regardless of the option utilized, you will be able to take advantage of our secure processing capabilities. We will provide flexible integration options for online, POS and mobile applications. We have advanced security features like universal tokenization services and EMV processing; and next-generation payment methods including mobile wallets like Apple Pay, Google Pay, and Samsung Pay, as well as in-app payments.

In conclusion, U.S. Bank provides its own merchant processing network, customer support and payment solutions. With everything under one roof, U.S. Bank can control the quality of your experience. It is also easier for the State to get answers when they need them. Moreover, with fewer vendors, you pay fewer fees.

In an increasingly complex business landscape, U.S. Bank is your source for innovative payment solutions - the one company that clients trust to manage their payments securely and reliably. Whatever you need and wherever you need it, we deliver innovative and secure solutions to help you increase revenues and decrease costs.

The State's ultimate choice in a payment services partner will consider quality, service, capability, and of course, price. Nevertheless, the best value comes from the appropriate combination of these factors. We are confident you will find our focus on contributing to the State's long-term success unmatched.

We are confident in our ability to continue to exceed the expectations of the State, through our commitment to delivering excellent customer service and exceptional payment processing solutions. Should you choose to continue your current relationship with U.S. Bank and Elavon, we look forward to working in partnership with you to develop and implement the best solutions for the State.

Greer Almquist	*Jay Johnson*
Greer Almquist	Jay Johnson
Vice President	Client Executive
Government Banking	Strategic Markets-Public Sector

A. PROPOSAL SUBMISSION

1. CORPORATE OVERVIEW

The Corporate Overview section of the Technical Proposal should consist of the following subdivisions:

a. BIDDER IDENTIFICATION AND INFORMATION

The bidder should provide the full company or corporate name, address of the company's headquarters, entity organization (corporation, partnership, proprietorship), state in which the bidder is incorporated or otherwise organized to do business, year in which the bidder first organized to do business and whether the name and form of organization has changed since first organized.

Response

U.S. Bancorp is headquartered at 800 Nicollet Mall, Minneapolis, Minnesota. We are a diversified financial service holding company with $559 billion in assets (as of June 30, 2021) and the parent company of U.S. Bank National Association, the nation's fifth-largest commercial bank. We are a publicly traded organization and incorporated in the state of Delaware.

Our 70,000 U.S. Bancorp employees come together to serve 18.8 million consumer, business and institutional customers through our four core lines of business: Payment Services, Consumer and Business Banking, Corporate & Commercial Banking, and Wealth Management and Investment Services. Through these lines of business, we offer a comprehensive suite of banking, investment, mortgage, trust and payments products.

We are a leader in the banking industry. Our outstanding record of accomplishment of financial performance, coupled with our sound ethical business practices, earned us the honor of being named a 2021 World's Most Ethical Company® by the Ethisphere Institute, a leading international think tank dedicated to the advancement of best practices in business. This is our sixth consecutive year on this list. We were also named Fortune's 2020 "most admired superregional bank" for the 10th consecutive year. Fortune ranked U.S. Bank in the Top 10 among 680 companies across all industries for:

- #3 Social Responsibility
- #7 Use of Corporate Assets
- #9 Financial Soundness
- #10 Long-Term Investment Value
- #10 Management Quality

U.S. Bank continues to outpace peers across all key performance metrics – such as return on assets, return on equity and efficiency ratio – year over year, and in 2018, we achieved record net revenue and diluted earnings per share. In addition, we maintain exceptional capital ratios and remain among the world's best in debt ratings across the industry.

Our history dates to 1863, when First National Bank of Cincinnati opened for business. As regional banks proliferated across the country in the years that followed, a few other predecessors were born. After a series of mergers at the turn of the 21st century, we formally took on the U.S. Bank name and established our headquarters in Minnesota.

U.S. Bank and its over 400 employees in 36 branch locations across Nebraska continue to support the people and communities that they serve. U.S. Bank is committed to Nebraska and last year we provided over 5,000 hours of community service helping to make our communities a better place to live. We also provided over $3 million in U.S. Bank Foundation and corporate giving.

Our size, strength and scale keep us well positioned for future growth. We are committed to invest in delivering innovative and remarkable solutions for our customers, shareholders, employees and communities as their most trusted financial partner.

Elavon is a wholly owned U.S. Bank subsidiary with ambitious plans to expand our offerings over the next five years. As a critical business unit in our overall strategic plan, Elavon will continue to provide you with resources to improve products and support, and to strengthen our client relationships. Elavon was founded in 1991 and has its corporate headquarters in Atlanta, Georgia. With all of our support services performed in-house, we rank number one in network speed and reliability and number three for processing volume. As a systems and technology leader, we offer an end-to-end proprietary network, internet protocol-based communications, and superior front-end, gateway systems for risk management, accounting and settlement systems.

Following our founding in 1991, we were known as NOVA Information Systems in the U.S. and euroConex in Europe. In April 2008, NOVA and euroConex united under the Elavon name. Our experience as a top global provider shapes our approach to payments and the services we deliver to customers in North America and Europe.

Our U.S. operations are managed from Knoxville, Tennessee and Englewood, Colorado. Additional support teams are based in our Atlanta, Georgia headquarters and other operations facilities. Together, our North American and European operations support more than five billion transactions, valued at nearly $450 billion, each year.

U.S. Bancorp is a publicly traded company on the New York Stock Exchange (NYSE) under the symbol USB.

b. FINANCIAL STATEMENTS

The bidder should provide financial statements applicable to the firm. If publicly held, the bidder should provide a copy of the corporation's most recent audited financial reports and statements, and the name, address, and telephone number of the fiscally responsible representative of the bidder’s financial or banking organization.

If the bidder is not a publicly held corporation, either the reports and statements required of a publicly held corporation, or a description of the organization, including size, longevity, client base, areas of specialization and expertise, and any other pertinent information, should be submitted in such a manner that proposal evaluators may reasonably formulate a determination about the stability and financial strength of the organization. Additionally, a non-publicly held firm should provide a banking reference.

The bidder must disclose all judgments, pending or expected litigation, or other real or potential financial reversals, which might materially affect the viability or stability of the organization, or state that no such condition exists.

The State may elect to use a third party to conduct credit checks as part of the corporate overview evaluation.

Response
U.S. Bancorp continues to deliver consistent, predictable, repeatable, industry-leading financial results. Our disciplined business operations at all levels give us confidence in the commitments and decisions we make, allowing us to do what is right for our shareholders, customers, and communities. We have a proven record of accomplishment of success, including debt ratings that are among the highest in the banking industry. We focus on being the most trusted choice, creating the future now, driving one U.S. Bancorp and striving for simplicity to honor our commitment to strengthen financial futures together.

Please refer to our **2020 Annual Report**, **Exhibit 9**, for required financial statements.

From time to time, U.S. Bancorp and its affiliates (U.S. Bank) are subject to various regulatory examinations, inquiries and investigations (matters) by bank regulators as well as other government agencies. U.S. Bank does not currently believe that the ultimate resolution of any existing matter will have a material adverse effect on the financial condition of U.S. Bank or our ability to perform in connection with this proposal. Such matters and other interactions with government agencies often are highly confidential and we may thus be limited in our ability to show detailed information. Nevertheless, for further information regarding certain current matters, please see our most recent 10-K and 10-Q, available on our Investor Relations page at usbank.com/about/investor.

We are rated by the credit rating agencies Moody's, Standard & Poor's (S&P), Fitch and DBRS. Our debt ratings are in the following link.

https://ir.usbank.com/investor-relations/financial-information/credit-ratings

c. CHANGE OF OWNERSHIP
If any change in ownership or control of the company is anticipated during the twelve (12) months following the proposal due date, the bidder should describe the circumstances of such change and indicate when the change will likely occur. Any change of ownership to an awarded bidder(s) will require notification to the State.

Response
Neither U.S. Bank nor Elavon anticipates changes of ownership.

d. OFFICE LOCATION
The bidder's office location responsible for performance pursuant to an award of a contract with the State of Nebraska should be identified.

Response
Your relationship team will continue to operate out of our location at 233 South 13th Street, Lincoln, Nebraska. Elavon's U.S. operations are managed from Knoxville, Tennessee and Englewood, Colorado. Additional support teams are based in our Atlanta, Georgia headquarters.

e. RELATIONSHIPS WITH THE STATE
The bidder should describe any dealings with the State over the previous five (5) years. If the organization, its predecessor, or any Party named in the bidder's proposal response has contracted with the State, the bidder should identify the contract number(s) and/or any other information available to identify such contract(s). If no such contracts exist, so declare.

Response
U.S. Bank has enjoyed an expansive and diverse relationship with the State for more than 40 years. Some of those services are the result of a contract, while others have been provided outside of a contract. Specifically, we have provided the following contract services to the State:

- ACH Origination/E-Payment Contract 60870 (O4)
- Stored Value Card Contract 68856 (O4)
- Purchasing Card Contract 84289 (O4)
- Fleet Fueling Card Contract 76031 O
- Payment (Credit and Debit) Card Processing Services 66533(O4)Ren(1)

f. BIDDER'S EMPLOYEE RELATIONS TO STATE
If any Party named in the bidder's proposal response is or was an employee of the State within the past twelve (12) months, identify the individual(s) by name, State agency with whom employed, job title or position held with the State, and separation date. If no such relationship exists or has existed, so declare.

If any employee of any agency of the State of Nebraska is employed by the bidder or is a Subcontractor to the bidder, as of the due date for proposal submission, identify all such persons by name, position held with the bidder, and position held with the State (including job title and agency). Describe the responsibilities of such persons within the proposing organization. If, after review of this information by the State, it is determined that a conflict of interest exists or may exist, the contractor may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

Response
To the best of our knowledge, no such relationship exists.

g. CONTRACT PERFORMANCE
If the bidder or any proposed Subcontractor has had a contract terminated for default during the past five (5) years, all such instances must be described as required below. Termination for default is defined as a notice to stop performance delivery due to the bidder's non-performance or poor performance, and the issue was either not litigated due to inaction on the part of the contractor or litigated and such litigation determined the contractor to be in default.

It is mandatory that the bidder submit full details of all termination for default experienced during the past five (5) years, including the other Party's name, address, and telephone number. The response to this section must present the bidder's position on the matter. The State will evaluate the facts and will score the bidder's proposal accordingly. If no such termination for default has been experienced by the bidder in the past five (5) years, so declare.

If at any time during the past five (5) years, the bidder has had a contract terminated for convenience, non-performance, non-allocation of funds, or any other reason, describe fully all circumstances surrounding such termination, including the name and address of the other contracting Party.

Response
To the best of our knowledge, no, but with thousands of customers, vendor, and other agreements in place, we do not track this information.

h. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this solicitation in size, scope, and complexity. The State will use no more than three (3) narrative project descriptions submitted by the bidder during its evaluation of the proposal.

The bidder should address the following:

Provide narrative descriptions to highlight the similarities between the bidder's experience and this solicitation. These descriptions should include:

- **a)** The time period of the project;
- **b)** The scheduled and actual completion dates;
- **c)** The Bidder's responsibilities;
- **d)** For reference purposes, a customer name (including the name of a contact person, a current telephone number, a facsimile number, and e-mail address); and
- **e)** Each project description should identify whether the work was performed as the prime Contractor or as a Subcontractor. If a contractor performed as the prime Contractor, the description should provide the originally scheduled completion date and budget, as well as the actual (or currently planned) completion date and actual (or currently planned) budget.

Bidder and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as Subcontractor projects.

If the work was performed as a Subcontractor, the narrative description should identify the same information as requested for the Bidder above. In addition, Subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a Subcontractor.

Response

Name of client	State of Louisiana
Contact name	Laura Lapeze
Title	Chief Financial Officer
Address	Louisiana State Capitol Building 900 North Third Street, Third Floor Baton Rouge, LA 70802
Telephone number	225.342.0051
Fax number	
Email address	LLapeze@treasury.la.gov
Time period of project	Fall of 2018 and we continue to add new merchant IDs as needed.
Contract implementation and budget	We stayed within the agreed upon pricing schedule while meeting the deliverable dates.
Services utilized	Merchant processing, Converge, terminals, Payment Optimization, Safe-T security, tokenization, eBill.

Narrative description	U.S. Bank/Elavon is Louisiana's merchant processing provider. They provide solutions from the front to the back end of the transaction. U.S. Bank/Elavon works closely with multiple agencies across Louisiana as well as Louisiana State University as well as other state colleges and universities. U.S. Bank/Elavon also has worked closely with the state's third party providers to integrate into their systems and process the transactions for those agencies.

Name of client	State of Wisconsin
Contact name	Sharon Hughes
Title	Treasury Financial Manager
Address	Treasury Services 101 E. Wilson Street, 5th Floor Madison, Wisconsin 53707
Telephone number	608.266.6700
Fax number	Not Available
Email address	Sharon.hughes@wisconsin.gov
Time period of project	Since 1980; re-won in 2020; contract expires 06.30.2025
Contract implementation and budget	We stayed within the agreed upon pricing schedule while meeting the deliverable dates.
Services used	Merchant processing, Converge, terminals, Service Fee, Safe-T security, encryption/tokenization, Fusebox, eBill
Narrative description	U.S. Bank/Elavon is Wisconsin's merchant processing provider. They provide solutions from the front to the back end of the transaction. U.S. Bank/Elavon works closely with multiple agencies across Wisconsin and the University of Wisconsin System. U.S. Bank/Elavon also has worked closely with the state's third party providers to integrate into their systems and process the transactions for those agencies.

Name of client	Montgomery County, MD
Contact name	Molly Hayward-Koert
Title	Cash Manager
Address	Department of Finance 101 Monroe Street, Suite 15 Rockville, MD 20850

Telephone number	240.777.8871
Fax number	240.777.8977
Email address	Molly.Hayward-Koert@montgomerycountymd.gov
Time period of project	Since 2008. Contract extension through August 28, 2024
Contract implementation and budget	We stayed within the agreed upon pricing schedule while meeting the deliverable dates.
Services used	Merchant processing, Converge, terminals, Service Fee, Safe-T security, encryption/tokenization, Fusebox, Commercial Card Optimization ACH services, Small Ticket Optimization, PC365 data file
Narrative description	U.S. Bank/Elavon is Montgomery County's merchant processing provider, offering a wide array of products and services across multiple agencies and departments within the county's jurisdiction. U.S. Bank/Elavon has worked closely with the county's finance department to streamline the reconciliation processes across multiple systems.

i. SUMMARY OF BIDDER'S PROPOSED PERSONNEL/MANAGEMENT APPROACH

The bidder should present a detailed description of its proposed approach to the management of the project.

The bidder should identify the specific professionals who will work on the State's project if their company is awarded the contract resulting from this solicitation. The names and titles of the team proposed for assignment to the State project should be identified in full, with a description of the team leadership, interface and support functions, and reporting relationships. The primary work assigned to each person should also be identified.

The bidder should provide resumes for all personnel proposed by the bidder to work on the project. The State will consider the resumes as a key indicator of the contractor's understanding of the skill mixes required to carry out the requirements of the solicitation in addition to assessing the experience of specific individuals.

Resumes should not be longer than three (3) pages. Resumes should include, at a minimum, academic background and degrees, professional certifications, understanding of the process, and at least three (3) references (name, address, and telephone number) who can attest to the competence and skill level of the individual. Any changes in proposed personnel shall only be implemented after written approval from the State.

Response

Please see next page.

Greer Almquist, U.S. Bank Government Banking Division

Greer Almquist
Vice President
Government Banking Relationship Manager
913.484.6908
Greer.almquist@usbank.com

Greer serves as the relationship manager and primary contact for the State. He will work with strategic business partners to recommend products and services that meet the objectives of the State, including financing solutions, treasury management and other banking services.

Greer joined U.S. Bank in 2011 as a government banking relationship manager and works with public entities in Nebraska, South Dakota, Oklahoma, Louisiana and Texas. Prior to joining us, he worked with public entities throughout Missouri and Kansas to help provide solutions for their energy needs.

Greer received his Master of Business Administration from Webster University in 2008 and his Bachelor of Arts in political science from the University of Missouri in 2000.

Jay Johnson, Client Executive, Elavon | Strategic Markets – Public Sector

Jay Johnson
Client Executive
Strategic Markets – Public Sector
910.409.3039
Jay.johnson@Elavon.com

Jay serves as the Client Executive for the State of Nebraska. He joined Elavon in January 2008. He comes with wealth of knowledge within the Public Sector and credit card processing industry.

He has successfully managed partner channels and relationships with SunTrust, and Wachovia/Wells Fargo and now is a leader in the Public Sector vertical.

Jay is based in Wilmington, North Carolina.

Education
University of North Carolina at Chapel Hill (1994)
Bachelor of Economics

Brett Andersen, Client Executive, Elavon | Strategic Markets – Public Sector

Brett Andersen
Regional Director
Strategic Markets – Public Sector
865.352.9584
brett.andersen@elavon.com

Brett works in partnership with the U.S. Bank Relationship Manager and Elavon Client to provide value through payment solution offerings. This includes serving as the subject matter expert for new processing solutions, additional reporting and onboarding new agencies/departments under the State Contract.

Brett joined Elavon in 2009, and has served in several roles, including, working alongside some of our largest customers. Since 2016, Brett focuses exclusively on the Public Sector including government and higher education customers. His broad experience with multiple customers using a variety of solutions has allowed him to become an expert in analyzing, comparing and recommending solutions tailored to the agency environment.

Brett received his Bachelor of Arts in International Relations from Occidental College in 2001.

Mysta Bosse, Operational Account Executive, Elavon | Strategic Accounts Services

Mysta Bosse
Operational Account Executive
Strategic Account Services
865-403-8055
mysta.bosse@elavon.com

Mysta Bosse is the point of contact that assists with day-to-day processing operational needs. She has experience is managing multiple state relationships and is focused specifically on Government and Higher Education.

Mysta joined Elavon in 2002 in our Dispute Resolution area. She joined Premier Services in 2014 and quickly excelled and was promoted to our Strategic Account Services team in 2015.

j. **SUBCONTRACTORS**

If the bidder intends to Subcontract any part of its performance hereunder, the bidder should provide:

i. name, address, and telephone number of the Subcontractor(s);
ii. specific tasks for each Subcontractor(s);
iii. percentage of performance hours intended for each Subcontract; and
iv. total percentage of Subcontractor(s) performance hours.

Response

We are one of the few processors within the industry that performs most bankcard processing functions in house and owns our own platforms for both acquiring and processing. We choose to not use third party processing vendors for these key functions to provide direct control of these critical processes, minimize outside risk, and deliver better service and reliability for you. These functions include:

- All bankcard interchange and settlement processing
- Exception item handling (i.e., retrieval requests and chargebacks)
- Accounting and billing
- Reporting and statement production
- New card acceptor implementations and training
- Customer service

There are circumstances; however, where we choose to collaborate with certain approved third-party providers for specialized services. If a third-party provider is used, we will oversee and remain accountable to you for the performance of these services. All our third-party providers go through an extensive certification and compliance process.

2. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

a. Original Request for Proposal for Contractual Services form signed using an indelible method;
b. Clarity and responsiveness of the proposal;
c. Completed Corporate Overview;
d. Completed Financial Statement;
e. Completed Sections II through VI;
f. Completed Technical Approach to include Attachment A;
g. Completed State Cost Proposal Template.

Response

All subsets have been provided.

MERCHANT CARD SERVICES COST PROPOSAL

RFP # 6556 Z1

Bidder must specify the cost for the specific line item in the unit of measure (UOM) provided. The UOM should not be changed. Bidder must also specify if there is a da
of the contract and for each renewal period.

Assessment fees are pass through fees from the card associations and are not included on the cost proposal. In the event there are fees associated with the services could be charged under the contract on “Other Costs”. The bidder should specify the UOM and any maximum caps and follow the same format as this cost sheet.

The following information is based on 2020 transactions processed by State Agency’s as listed on Exhibit 3. The volumes used are estimates and not a representation

Bidder Name: U.S. Bank / Elavon

			Initial Term			
Authorization Fee:	Estimated	UOM	Year 1	Year 2	Year 3	Yea

Authorization Fee:	Volume	UOM	Cost	Total	Cost	Total	Cost	Total	Cost
Visa	1,433,005	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MasterCard	454,173	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discover	67,108	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
American Express	20,979	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debit Cards	28,706	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Authorization Fees:				$ -		$ -		$ -	

			Initial Term						
Transaction Fee:	Estimated Volume	UOM	Year 1		Year 2		Year 3		Yea
			Cost	Total	Cost	Total	Cost	Total	Cost
Visa	1,433,005	Per Transaction	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000
MasterCard	454,173	Per Transaction	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000
Discover	67,108	Per Transaction	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000
American Express	20,979	Per Transaction	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000
Debit Cards	28,706	Per Transaction	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000

Total Transaction Fees:			$ 60,119.13		$ 60,119.13		$ 60,119.13	

			Initial Term						
Basis Point Calculation:	**Estimated Dollar**	**UOM**	**Year 1**		**Year 2**		**Year 3**		**Yea**
			Cost	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**
Visa	$97,089,302	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MasterCard	$35,714,688	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discover	$4,825,282	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -

American Express	$2,606,650	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debit Cards	$6,312,074	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Basis Point Calculation Totals:				$ -		$ -		$ -	

			Initial Term						
Refund, Return or Credit:	**Estimated Volume or Dollar**	**UOM**	**Year 1**		**Year 2**		**Year 3**		**Yea**
			Cost	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**
Visa	34,231	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -

MasterCard	11,338	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discover	2,858	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
American Express	512	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Visa	$5,571,248	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MasterCard	$2,107,350	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discover	$568,252	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
American Express	$183,097	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Refund, Return or Credit Fees:				$ -		$ -		$ -	

			Initial Term						
Chargebacks:	Estimated Volume or Dollar	UOM	Year 1		Year 2		Year 3		Yea
			Cost	Total	Cost	Total	Cost	Total	Cost
Visa	207	Per Transaction	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000
MasterCard	115	Per Transaction	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000
Discover	5	Per Transaction	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000
Visa	$23,328	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -

MasterCard	$9,759	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Discover	$477	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Chargeback Fees:				$ 1,635.00		$ 1,635.00		$ 1,635.00	

			Initial Term						
Chargeback Reversal:	**Estimated Volume or Dollar**	**UOM**	**Year 1**		**Year 2**		**Year 3**		**Yea**
			Cost	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**
Debit	1	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Credit	11	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debit	$1	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credit	$1,638	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Chargeback Reversal Fees:				$ -		$ -		$ -	

			Initial Term						
Chargeback Misc Fee:	**Estimated Volume or Dollar**	**UOM**	**Year 1**		**Year 2**		**Year 3**		**Yea**
			Cost	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**

Debit	106	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credit	2	Per Transaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debit	$6,856	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credit	$65	Per Dollar	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Chargeback Misc Fees:				$ -		$ -		$ -	

			Initial Term						
Other Fees:	**Estimated**	**UOM**	**Year 1**		**Year 2**		**Year 3**		**Yea**

Other Fees:	Volume	UOM	Cost	Total	Cost	Total	Cost	Total	Cost
Online access to view Merchant Activity	12	Per Month	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Online Statement Fee	12	Per Month	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Paper Statement Fee	12	Per Month	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-PCI Compliance Fee	1	Per Month	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Other Fees:				$ -		$ -		$ -	

	Initial Term

Banking Services:	Estimated Volume	UOM	Year 1		Year 2		Year 3		Yea
			Cost	Total	Cost	Total	Cost	Total	Cost
Account Maintenance	12	Per Account	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000
Electronic Credits	16,377	Per Transaction	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000
Electronic Debits	1,170	Per Transaction	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000
ZBA Account	12	Per Account	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000
Deposit Assessment	1	Per Account	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000

Online Services:										
Account Analysis	12	Per Account	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Check Filter	9	Per Account	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Current Day Reporting	12	Per Account	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	
Current Day Per Item	4,776	Per Transaction	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	
Current Day ACH Addenda	12	Per Account	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	
Previous Day Reporting	12	Per Account	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	
Previous Day Per Item	22,585	Per Transaction	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	

Previous Day ACH Addenda	12	Per Account	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000
Merchant Detail Reporting	12	Per Account	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000
ACH Received Item	1,986	Per Transaction	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000
ACH Filter	10	Per Account	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000
Wire Services:									
Wire Online Maintenance	1	Per Account	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000
Wire – Outgoing Fed	1	Per Wire	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000

Wire – Outgoing Template	1	Per Wire	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000
Wire – Template Set UP	1	Per Set Up	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Wire – Outgoing Template	1	Per Account	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Banking Services Fees:				$ 2,626.27		$ 2,626.27		$ 2,626.27	
Total Cost Proposal:				**$ 64,380.40**		**$ 64,380.40**		**$ 64,380.40**	

	Initial Term

Optional supplies:	Estimated Volume	UOM	Year 1		Year 2		Year 3		Yea
			Cost	Total	Cost	Total	Cost	Total	Cost
Credit Card Terminal Paper	1	Per Roll	**1.24**	$ 1.24	**1.24**	$ 1.24	**1.24**	$ 1.24	**1.24**
Brand Accepted Signage	1	Per Sign	**0**	$ -	**0**	$ -	**0**	$ -	**0**
Total Supplies:				$ 1.24		$ 1.24		$ 1.24	

	Initial Term

Description:	Volume	UOM	Year 1		Year 2		Year 3		Yea
			Cost	Total	Cost	Total	Cost	Total	Cost
				$ -		$ -		$ -	
				$ -		$ -		$ -	
				$ -		$ -		$ -	
				$ -		$ -		$ -	
				$ -		$ -		$ -	
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				$ -		$ -		$ -

aily, monthly maximum per UOM. Bidder must identify a price for each year of the initial period

that are not listed on the cost proposal below, the bidder shall list all such additional fees that

of future volumes.

MERCHANT CARD SERVICE COST PROPOSAL

			Optional Renewal 1		**Optional F**
ar 4	**Year 5**	**Year 6**	**Year 1**	**Year 2**	**Year 1**

Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -		$ -		$ -		$ -		$ -		$ -

					Optional Renewal 1				Optional F	
ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15
$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19
$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24
$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37
$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18

$ 60,119.13		$ 60,119.13		$ 60,119.13		$ 60,119.13		$ 60,119.13		$ 60,119.13

					Optional Renewal 1				**Optional F**	
ar 4	**Year 5**		**Year 6**		**Year 1**		**Year 2**		**Year 1**	
Total	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -		$ -		$ -		$ -		$ -		$ -

					Optional Renewal 1				**Optional F**	
ar 4	**Year 5**		**Year 6**		**Year 1**		**Year 2**		**Year 1**	
Total	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**	**Cost**	**Total**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -		$ -		$ -		$ -		$ -		$ -

					Optional Renewal 1				Optional F	
ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00
$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00
$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,635.00		$ 1,635.00		$ 1,635.00		$ 1,635.00		$ 1,635.00		$ 1,635.00

					Optional Renewal 1				Optional F	
ır 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -		$ -		$ -		$ -		$ -		$ -

					Optional Renewal 1				Optional R	
ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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					Optional Renewal 1				Optional F	
ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	

Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
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	Optional Renewal 1	Optional F

ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00
$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43
$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25
$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00
$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13

$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76
$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85

$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00
$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86
$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00
$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00
$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00

$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 2,626.27		$ 2,626.27		$ 2,626.27		$ 2,626.27		$ 2,626.27		$ 2,626.27
$ 64,380.40		**$ 64,380.40**		**$ 64,380.40**		**$ 64,380.40**		**$ 64,380.40**		**$ 64,380.40**

Optional Supplies

	Optional Renewal 1	**Optional F**

ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ 1.24	**1.24**	$ 1.24	**1.24**	$ 1.24	**1.24**	$ 1.24	**1.24**	$ 1.24	**1.24**	$ 1.24
$ -	**0**	$ -	**0**	$ -	**0**	$ -	**0**	$ -	**0**	$ -
$ 1.24		$ 1.24		$ 1.24		$ 1.24		$ 1.24		$ 1.24

Other Costs

	Optional Renewal 1	Optional F

ar 4	Year 5		Year 6		Year 1		Year 2		Year 1	
Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total	Cost	Total
$ -		$ -		$ -		$ -		$ -		$ -
$ -		$ -		$ -		$ -		$ -		$ -
$ -		$ -		$ -		$ -		$ -		$ -
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Renewal 2	Optional Renewal 3	
Year 2	Year 1	Year 2

Cost	Total	Cost	Total	Cost	Total	
$ -	$ -	$ -	$ -	$ -	$ -	
$ -	$ -	$ -	$ -	$ -	$ -	
$ -	$ -	$ -	$ -	$ -	$ -	
$ -	$ -	$ -	$ -	$ -	$ -	
$ -	$ -	$ -	$ -	$ -	$ -	
	$ -		$ -		$ -	

Renewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15	$ 0.030000	$ 42,990.15
$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19	$ 0.030000	$ 13,625.19
$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24	$ 0.030000	$ 2,013.24
$ 0.030000	$ 629.37	$ 0.030000	$ 629.37	$ 0.030000	$ 629.37
$ 0.030000	$ 861.18	$ 0.030000	$ 861.18	$ 0.030000	$ 861.18

	$ 60,119.13		$ 60,119.13		$ 60,119.13

Renewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -		$ -

Renewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -		$ -

Renewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00	$ 5.000000	$ 1,035.00
$ 5.000000	$ 575.00	$ 5.000000	$ 575.00	$ 5.000000	$ 575.00
$ 5.000000	$ 25.00	$ 5.000000	$ 25.00	$ 5.000000	$ 25.00
$ -	$ -	$ -	$ -	$ -	$ -

$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ 1,635.00		$ 1,635.00		$ 1,635.00

Renewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -

enewal 2		Optional Renewal 3			
Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -		$ -

$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -		$ -

Renewal 2	Optional Renewal 3	
Year 2	Year 1	Year 2

Cost	Total	Cost	Total	Cost	Total
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ -		$ -		$ -

Renewal 2	Optional Renewal 3

Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
$ 5.000000	$ 60.00	$ 5.000000	$ 60.00	$ 5.000000	$ 60.00
$ 0.025000	$ 409.43	$ 0.025000	$ 409.43	$ 0.025000	$ 409.43
$ 0.025000	$ 29.25	$ 0.025000	$ 29.25	$ 0.025000	$ 29.25
$ 8.500000	$ 102.00	$ 8.500000	$ 102.00	$ 8.500000	$ 102.00
$ 0.129000	$ 0.13	$ 0.129000	$ 0.13	$ 0.129000	$ 0.13

$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 0.010000	$ 47.76	$ 0.010000	$ 47.76	$ 0.010000	$ 47.76
$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 0.010000	$ 225.85	$ 0.010000	$ 225.85	$ 0.010000	$ 225.85

$ 10.000000	$ 120.00	$ 10.000000	$ 120.00	$ 10.000000	$ 120.00
$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00	$ 100.000000	$ 1,200.00
$ 0.010000	$ 19.86	$ 0.010000	$ 19.86	$ 0.010000	$ 19.86
$ 2.000000	$ 20.00	$ 2.000000	$ 20.00	$ 2.000000	$ 20.00
$ 25.000000	$ 25.00	$ 25.000000	$ 25.00	$ 25.000000	$ 25.00
$ 4.000000	$ 4.00	$ 4.000000	$ 4.00	$ 4.000000	$ 4.00

$ 3.000000	$ 3.00	$ 3.000000	$ 3.00	$ 3.000000	$ 3.00
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
	$ 2,626.27		$ 2,626.27		$ 2,626.27
	$ 64,380.40		**$ 64,380.40**		**$ 64,380.40**

Renewal 2	**Optional Renewal 3**

Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
1.24	$ 1.24	1.24	$ 1.24	1.24	$ 1.24
0	$ -	0	$ -	0	$ -
	$ 1.24		$ 1.24		$ 1.24

Renewal 2	Optional Renewal 3

Year 2		Year 1		Year 2	
Cost	Total	Cost	Total	Cost	Total
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -

	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
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	$ -		$ -		$ -
	$ -		$ -		$ -
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	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -

	$ -		$ -		$ -
	$ -		$ -		$ -
	$ -		$ -		$ -