

The U.S. Bank
Voyager Fleet
Program

usbank

VOYAGER[®]



Optimize Your Fleet Program for Today and Tomorrow

PRESENTED TO
State of Nebraska
Matthew Hansen
Connie Heinrichs

SUBMITTED BY
Mark Hess
Relationship Manager

October 18, 2023

RFP # 6819 Z1



Dear Matt and Connie,

We appreciate the opportunity to participate in the RFP process for a fleet solution for the State of Nebraska. The enclosed proposal addresses your request for a comprehensive fleet card payment solution that enhances compliance and controls, reduces costs and delivers the service your operations demand. As the pioneer of the original fleet card program more than 25 years ago, the U.S. Bank Voyager® Fleet Program has a history of innovation and an ongoing commitment to investing in the future. Add to that the consultative expertise and personalized service U.S. Bank is known for, and you have an insightful, easy-to-manage program that provides the control and the flexibility you need.

U.S. Bank acknowledges the receipt of Addenda 1 and 2 and confirm that their contents have been incorporated into our proposal.

The State of Nebraska and U.S. Bank have enjoyed a long-standing relationship that not only includes the Voyager Fleet Card program, but also services such as ACH/ePayment, prepaid cards, purchasing cards and merchant processing. U.S. Bank also has a large presence throughout Nebraska with over 411 employees located in 34 locations. These employees bring outstanding products and services to the citizens of Nebraska, and they also serve on local boards and volunteer throughout their communities. U.S. Bank supports many different organizations throughout the State of Nebraska by providing grants and other forms of financial support through our local U.S. Bank Foundation Board.

At U.S. Bank, we understand the unique realities and missions of public sector clients. We are the largest issuer of cards to public sector entities as we fuel global clients across federal, state, local and nonprofit organizations. The Voyager Fleet Program also offers one of the most widely accepted cards in the industry, supporting some of the largest fleet management programs in the nation. Most importantly, our deep expertise is readily available to you to help improve and evolve your program.

The Voyager Fleet Program makes it easy for your cardholders to remain in compliance with fleet and fueling purchase rules and regulations. Your program managers have the controls they need for proper accounting. With our data integration and analytics capabilities, you always have robust, easily customized reporting right at your fingertips.



We are excited for the opportunity to help you take your fleet program into the future. As the fleets of tomorrow grow and evolve, U.S. Bank Voyager is here to help you make the most of it. Let's continue the conversation.

Looking forward together,

Mark Hess

Mark Hess
Assistant Vice President
U.S. Bank Corporate Payment Systems



U.S. Bank
Voyager
Mastercard



Voyager
Network



Seamless
Account
Management



Voyager
Maintenance
Solution



Voyager
Mobile Apps



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Exhibits

1. U.S. Bank Voyager Agreement
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Disclosures

U.S. Bank appreciates the opportunity to review the Request for Proposal (RFP) for State of Nebraska’s fleet program. We have included a copy of the Voyager Fleet Agreement as **Proposal Exhibit 1** for your review and consideration. Please note that the Agreement offers the following benefits:

- It is specifically tailored for the financial services and solutions offered in this proposal.
- It contains terms and conditions designed to promote compliance with federal and state laws and regulations such as the USA PATRIOT Act, FCRA, BSA/AML, etc.
- It provides U.S. Bank with the ability to offer more favorable economic incentives due to efficiencies gained in the contracting process and the administration of the program.

If the RFP results in a contract award to U.S. Bank, we propose that the Voyager Fleet Agreement govern this relationship. Accordingly, please note that we do not agree to be bound by any of the terms and conditions contained in the RFP unless and until such terms are incorporated into a final written agreement between the parties. This proposal represents the basis for a proposed business relationship and is not a contract for services. Pricing features herein are valid until December 24, 2023, and will be valid upon signing, or rebate start date, whichever is later. All pricing elements, including incentives, are subject to final credit approval by U.S. Bank, and are subject to change if credit is conditional upon collateral pledge, pre-payment or guarantor.

U.S. Bank National Association

Exhibit 5 – Sample Reports

Exhibit 6 – Sample Implementation Plans

Redacted



Why choose the U.S. Bank Voyager Fleet Program

The U.S. Bank Voyager Fleet Program delivers on all the core needs the State has outlined for your program:



Beyond the program basics, the State should choose U.S. Bank Voyager as your fleet program partner for three distinct reasons:

1 Price-optimized and compliance-driven

The U.S. Bank Voyager Fleet Program combines low-cost retail, private site providers, bulk fuel purchasing and negotiated discounts to maximize your savings. Drivers can use the Voyager mobile app to identify the best-priced locations within a specific radius to maximize cost- and time-efficiencies. At the same time, built-in controls help ensure your fleet purchases comply with the appropriate regulations automatically. No matter how complex the rules governing your program, the Voyager Fleet Program makes it easy to implement and enforce.

U.S. Bank Fleet Commander® Online, our proprietary program management tool, simplifies program management and provides robust reporting through a single, web-based dashboard. The Voyager Fleet Program gives you a clear view of where money is spent on your fleet. With easy access to insights, you can establish data-driven goals designed to improve your fleet efficiency and program performance, and with the ability to customize reporting, you have the tools you need to ensure compliance.

2 Unmatched public sector fleet experience

With the Voyager Fleet Program, you have a team and a program that deepen your expertise with decades of public sector experience. We understand complex public sector accounting requirements and know how to maximize integrations and take advantage of our configurable hierarchy to ensure the automation and transparency your program requires. We have spent years working with public sector clients to address the unique needs of their organizations for optimal results and are happy to make that expertise available to your agency.



3

Dedicated service and forward-thinking fleet technology

With the Voyager Fleet Program, you can count on payments technology leadership and dedicated customer service to help you make the most of your program. The Voyager mobile app and the ease of our application programming interface functionality for integration with your various systems are just the beginning of what is next in fleet. As electric vehicles (EVs) become more popular, our Voyager Mastercard is accepted at ChargePoint, the largest EV charging network in the United States. Our Voyager Mastercard also has the advantage of Mastercard's diverse, global acceptance. From cardless, vehicle-based payments to the first VIN-based maintenance payments program in the industry, U.S. Bank innovations are driving what is next in fleet.

Add to that an experienced public sector support team always available to help, and you have a recipe for fleet success. Whether you need to react quickly during a natural disaster or want to tap into program expertise to make the most of your efforts, your U.S. Bank team is your frontline resource.

By sharing storm tracking data with the Voyager Fleet Program, a state government agency enables real-time, geographically appropriate adjustments to card limits to support the needs of emergency response and cleanup while enabling proactive fraud prevention.

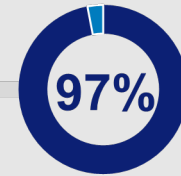




25+
years of fuel
card expertise



50+
channel partners
offer private
site and retail
network access



97%
of all accepting
fuel merchants
in the U.S.

Accepted at

- Convenience stores/ gas stations
- Private fueling sites
- Truck stops
- Alternative fueling sites like CNG and LNG
- EV charging stations
- Maintenance providers
- Parking
- Tolls



320,000+
fuel and maintenance locations +
anywhere Mastercard is accepted



10,000
public sector fleet users



Voyager Network
captures 100%
Level III data



Tier-IV world-class data center with maximum uptime and the most reliable, fault-tolerant and secure environment

\$20 million
annual investment in payments R&D



PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this Request for Proposal.

PROJECT OVERVIEW

The Nebraska State Treasurer (State Treasurer's Office) is requesting proposals for Fleet Fuel Card Services on behalf of State agencies, governmental entities and political subdivisions that wish to participate under the State's contract.

The State of Nebraska (State) makes no representation that any State agency, municipality, county, or other governmental subdivision will choose to engage these services as the result of this RFP. The combined bidding of all services to the State eliminates the need for additional procurements by individual State agencies. It will be the responsibility of the contractor to contract the cities, counties, and other governmental subdivisions regarding the potential to participate under this contract.

The Fleet Fuel Card Services program will be used to purchase fuel and vehicle related services. As of December 2022, State agencies have approximately 8600 fuel cards and the University has approximately 1200 cards. Currently, there are approximately 2500 cards issued to cities, counties, schools, and community colleges using this contract. Exhibit's 1, 3, 5 and 7 show the transaction history for State Agencies and Exhibit's 2, 4, 6 and 8 show the cities, counties or political subdivisions using the contract. These exhibits show the total transaction dollars, the rebate based on volume, the file turn rebate, along with the total rebate for each agency or entity under the current contract. These represent a historical count and are not a guarantee of future transaction volumes but are provided to benefit the bidders in developing their proposal.

Understood.

PROJECT ENVIRONMENT

The Nebraska Department of Transportation shall administer the fleet card program on behalf of the State agencies. The University of Nebraska Fleet Management will be the point of contact for all University fleet fuel cards.

Understood.



A. PROJECT REQUIREMENTS

The awarded bidder will be responsible for:
Development, testing and implementation;

Issuing cards, using unique card numbers;
Electronic data file transfer.

B. BUSINESS REQUIREMENTS

Each bidder is responsible to research Nebraska Revised Statutes for their legal responsibilities when doing business with the State. Reference to certain State statutes and the Nebraska Constitution are provided in the RFP but are not all inclusive to the legal requirements of the selected contractor.

a. Neb. Rev. Stat. § 73-506(1) – The State cannot pay for deliverables not received

Neb. Rev. Stat. § 73-506(2) – Service contracts with unspecified or unlimited duration

Nebraska State Constitution, Article XIII, §3 – Prohibits indemnification and limitations of liability.

U.S. Bank will be responsible for the above requirements.

C. SCOPE OF WORK

1. BASIC REQUIREMENTS

a. Each card must be printed with the account number, vehicle or equipment identification number, name of agency, and Nebraska tax exempt number.

The embossing options for the Voyager Fleet cards are:

- The first line can be embossed with 4 to 6 numeric digits: "Vehicle No. 123456".
- The second line can be embossed up to 25 characters with the account name.
- The third line can be embossed up to 17 characters total.

Please refer to **Proposal Exhibit 2, Current State of Nebraska Card Design**. U.S. Bank will continue to offer this customized Voyager card at no additional cost. Changing the custom graphic and hot stamp logos may require an additional cost. Should the State choose the Voyager Master Card a custom card design may not be available.

b. Card must be assigned to vehicles, not to a driver.

A card may be assigned to a vehicle that is used by one or more drivers. If the card is assigned to a vehicle:

- The vehicle ID can be embossed on the card.
- The PIN can be the driver ID or a unique number for that card:
 - If the PIN is a driver ID, it is checked against a list of valid driver IDs.
 - If the PIN is a unique number for that card, it is checked against the specific information set up for that card (not available for Voyager Mastercard).
 - PINs and IDs must be four to six numeric digits.



- Any driver can fuel the vehicle.
 - All vehicle cards can be established in the database for reporting purposes.
- c. The State of Nebraska and the University of Nebraska are exempt from all State and Federal sales and excise taxes. The University of Nebraska is exempt from sales tax in NE, FL, IL, KS, MA, MO, ND, and TX. Vendors are to omit these taxes from the billing/invoice.

As your current Voyager Fleet card, U.S. Bank bills all tax-exempt accounts for purchases made on the Voyager Fleet card less any applicable fuel/sales tax exemptions, allowed by law, to which they are entitled, and to which the vendors are capable of processing. Complete reporting of exempted taxes will be provided to the State of Nebraska and to the oil company that allows the exemption.

All clients who are exempt from federal fuel taxes will receive their gas tax exemptions either through the U.S. Bank billing or through a refund claim process. At local, independently owned retail locations that are unable to handle the federal gas tax, U.S. Bank will calculate and accumulate the tax data. Once the criteria set by the IRS are met, U.S. Bank will complete an IRS 8849 refund claim and forward it to the client. The customer will sign the refund claim and forward it to the IRS for the refund to be processed.

On January 1, 2006, U.S. Bank began exempting federal excise taxes as a registered Ultimate Vendor on all sales of gasoline, diesel, E 85, kerosene, aviation gas, and aviation grade kerosene. U.S. Bank handles all (100%) federal excise taxes through a proprietary exemption handling process that strips all taxes at the time of transaction posting.

As a registered Ultimate Vendor, U.S. Bank will settle with the merchant whenever a State of Nebraska entity uses a U.S. Bank card to acquire fuel. When the Voyager Fleet Card is used at an oil company vendor, the transaction resides in the vendor's point of sale device until the vendor processes its daily batch file upload into the oil company/processor's mainframe.

The oil company/processor will then submit settlement files to U.S. Bank. During the settlement process, U.S. Bank will purchase the fuel transaction at a price that includes the federal excise tax. U.S. Bank will then run all transactions through a tax exemption handling routine that strips all applicable taxes and will post the transactions to the State of Nebraska less any federal excise taxes. Lastly, U.S. Bank, as the Ultimate Vendor, will then file a claim with the IRS to receive a refund of any federal excise taxes exempted.

U.S. Bank has developed and maintains its own proprietary tax exemption handling process—a process that is used to great effect by many state and Federal Governmental entities today. U.S. Bank also possesses the industry's best level III data capture. The combination of these two features allows U.S. Bank to offer the State of Nebraska a real time, sophisticated tax exemption handling process. Transactions are handled live in the U.S. Bank system as they are received; not later, or via a third party as is the case with other fleet card providers. Furthermore, because U.S. Bank captures complete level III data, more taxes are handled with greater accuracy and the State of Nebraska does not lose valuable tax exemption dollars due to inaccurate or missing level III data.

If the State selects Voyager Mastercard for its future fleet card program, please note that U.S. Bank is not able to omit sales and excise taxes. However, U.S. Bank can provide reporting on such charges to the State is able to apply for a refund of applicable sales and excise taxes from each merchant.



- d. The vendor must pay for any necessary software updates for:
 - i. Batch file processing;
 - ii. Driver authorization;
 - iii. Uploading fuel conversion codes, and;
 - iv. Uploading card authorization to GASBOY systems.

U.S. Bank will be responsible for any internal updates on our systems. Rather than paying for external software updates, U.S. Bank is offering a competitive rebate pricing structure based on the volume and timeliness of repayment of the Voyager fleet card program.

- e. Card must be capable of privatizing (for internal transaction processing).

U.S. Bank has standard inventory files that can be used to create a positive or negative file of the cards, drivers and vehicles that are allowed access at private terminals. As your current provider, U.S. Bank will continue to work with the State of Nebraska to use the inventory file or work to come up with a custom solution to meet the needs of fueling at private terminals.

- f. Program should be in place by April 1, 2024.

As your current provider there will be no need to implement a new program, saving the State of Nebraska the time and cost of implementation.

- g. Soft rubber/neoprene card hold key rings should be provided at no cost.

Yes, U.S. Bank has waived the cost of card hold key rings.

- h. New or replacement cards must be free and include free shipping and tracking information when cards are shipped.

Replacement cards can also be conveniently ordered online. Additional options include telephone (by authorized personnel only), written request (fax or email) and electronic file. Replacement cards can be ordered the day the card is requested and can be mailed the next business day. Cards sent via USPS must allow five to seven business days for delivery. If the State would prefer that all cards be sent via overnight delivery as a regular course of business, we will comply and bill the State accordingly (\$20.00 overnight fee per shipment of up to 100 cards).

- i. Replacement cards will be issued within five (5) business days.

Replacement cards can also be conveniently ordered online. Additional options include telephone (by authorized personnel only), written request (fax or email) and electronic file. Replacement cards can be ordered the day the card is requested and can be mailed the next business day. Cards sent via USPS must allow five to seven business days for delivery. If the State would prefer that all cards be sent via overnight delivery as a regular course of business, we will comply and bill the State accordingly (\$20.00 overnight fee per shipment of up to 100 cards).

- j. Administrators of the programs can unlock cards as well as the contractor.

Yes, this functionality is available to Administrators through the Voyager portal using the Override Authorization Limits feature or by calling customer service 24/7.



- k. Historical information must be stored for three (3) years after the contract expires.

Yes, this functionality is available through the Voyager portal. Users can access 24 to 36 months of data. At the end of each year, we move the oldest 12 months of data offline. Data is stored offline for an additional 48 months (84 months total) and is available upon request.

- l. Initial cards must be issued by program administrators.

For the initial roll out, you can submit a hardcopy list or data file that provides all PIN and vehicle information. After processing the list or file, we will confirm account setup with the State. Upon approval, we will emboss and mail all cards to the designated card addresses.

We can process all your cards at once. The advantages of Automated Card Issuance are:

- Complete implementation from the outset
- Significantly quicker program implementation
- Automated file processing eliminates potential set-up errors

- m. The contractor must ensure privacy and security for all data in their environment .

We offer our proprietary program management and reporting system, the Voyager portal, which resides in a multi-tiered, multi-server environment with built-in redundancies. We host all our servers and manage our system firewalls. We use the latest firewalls with encryption to protect the application, the business logic and delivery mechanisms of the Voyager portal and your data. All internet connections and sensitive internal connections are also encrypted.

User access

Each Voyager portal user ID is associated with authorization and authentication information that dictates which accounts a user can access and which tasks a user can perform within the system, which authorizes access exclusively to the data and functionality allowed by the profile associated with that user ID. This structure allows the State to allow each employee access only to the information and functionality necessary to perform his or her job duties.

System security and intrusion monitoring

We have deployed both network-based and host-based intrusion detection systems to ensure the safety of our networks. These systems passively monitor our internal network and ensure that perimeter firewalls and defenses function properly. Continuously monitoring our systems allows us to identify and respond to vulnerabilities, unauthorized internal activity and unauthorized external traffic. We have engaged a third-party service to monitor and manage our intrusion detection systems. We also have a staff of intrusion detection experts on call 24/7, ready to investigate any incidents reported to us by our trusted vendor.

Incident response policies

We have extensive incident response procedures to follow when suspicious activity occurs. The Voyager portal runs on U.S. Bank internal servers. Because we own, host and support these servers, we can temporarily halt the application or disable external access to the application to address a security issue. The Office of the Comptroller of the Currency (OCC) and TruSecure regularly review these procedures to ensure that we meet and exceed security best practices. We will work with you to establish incident response procedures and notification policies regarding your program.

Anti-virus and malware protection

Our Information Security Services (ISS) takes a multi-faceted approach to anti-virus protection. Our security team researches new viruses and vulnerabilities, and proactively protects our



systems against potential attacks. ISS uses a specialized software suite to manage security patches, ensuring our systems have the latest critical protection. This software also analyzes the latest threats and provides industry risk severity ratings.

n. Toll free customer service available 24x7, 365 days per year.

Yes, the U.S. Bank Fleet Card Customer Service Representatives are available to personally assist the State of Nebraska with any account issues toll-free, 24/7.

o. Level III data capture capabilities and reporting, as listed on Exhibit 7.

U.S. Bank Voyager does not enter into a card acceptance agreement with a merchant unless they are able to provide Level III data. Furthermore, we have worked closely with oil companies and independent merchant processors to continue to enhance the merchants' ability to provide Level III data.

Please refer to **Proposal Exhibit 3, Fleet Data Elements** for a list of data elements that can be captured and tied to a single transaction within our system.

U.S. Bank Voyager Mastercard gains the Level III data, as stated above, for all transactions occurring on the Voyager network. Mastercard network merchants are not mandated to provide this level of detail. The State should expect more than 90% of fuel transactions to contain Level III data; we receive less than 50% of Level III data for non-fuel and foreign transactions.

Tying cards to vehicles and prompting for driver IDs is a U.S. Bank-recommended best practice. Using the Level III data provided on all U.S. Bank Voyager transactions, you will be able to consistently tie drivers to vehicle transactions. This practice will significantly decrease employee abuse and fraud.

We currently provide the only fleet card that allows for customization on a card-by-card basis. Cards, within the same account, can be tied to drivers and vehicles, can be designated as Fuel Only or Fuel and Other and can prompt for vehicle IDs, driver IDs and PINs. Most competing fleet card programs set parameter restrictions solely at the account level, meaning that every card on the account must be set to the exact same specifications.

A Voyager Fleet Card and Voyager Mastercard can be prompted for a driver ID number utilizing the following features:

- Driver ID numbers that are not card-specific. The U.S. Bank account will store a series of authorized driver ID numbers. Any active driver ID can be used to authorize any active card on that account.
- Our system will capture and tie vehicle information and driver ID data on the same transaction. This capability will provide you with the vehicle and driver information you need to make informed decisions. In addition, by tying vehicle information to driver IDs on each transaction, you benefit from increased card security and better accountability of driver behavior.
- You will see all driver and vehicle tied transactions online with 100% Level III data capture on Voyager network transactions. Voyager's fleet management and reporting tools can assist your fleet oversight process. We will work closely with you to create, save and schedule customized exception reports that can then be used by your fleet program administrators for reconciliation and fraud identification purposes.



p. **Redundant systems.**

The underlying mainframe system is closely monitored and supported by the largest, most secure technical team and environment in the fleet card industry. The technical systems support and development team includes more than 100 individuals dedicated to the upkeep and maintenance of the system's platforms. As a result, our performance metrics yield a 100% uptime on our transaction and authorizations processing platform because of the sophisticated systems architecture and redundancy models we use.

Our Voyager portal averages a 99.5% availability uptime. Please note that the internet team has a scheduled maintenance window on Sundays from 2 a.m. to 7 a.m. CT that is not included in the uptime average.

Voyager offers the State the industry-leading Voyager fleet management system, which provides a secure and redundant data environment.

The Voyager System (includes Voyager portal website) has triple-redundancy features for all mainframe and internet systems and ensure that backups for all your master file records and databases will constantly be available. Mainframe data used by Voyager has SAN Disk mirroring across multiple U.S. Bank data centers. Web server data are backed up daily at scheduled intervals, across all three redundancy systems with incremental data logs throughout the day.

2. STATE OF NEBRASKA PROGRAM

a. **Ordering new or replacement cards will be restricted to the Fuel and Credit Card Systems Manager and their staff at the Nebraska Department of Transportation.**

Yes, per the State's requirements, the ordering of new or replacement cards can be restricted to certain personnel. As your current provider, U.S. Bank will continue to work with you to meet your requirements.

b. **State ID number will be a five (5) digit number.**

Yes, PIN, driver ID or vehicle ID may be any four to six digit numeric entry.

c. **Contractor must be willing to stagger the deployment of cards, as the State has many expiration dates.**

Yes, Voyager Fleet Card accounts have a standard four-year expiration period, however the flexibility of our system allows for a variety of options. As your current provider, U.S. Bank has this current methodology in place and will continue to work with the State to maintain your requirements for custom expiration dates.

d. **Custom cards must be provided.**

Logo cards

A logo card consists of the standard card design and a one-color imprint that is applied to the card at time of embossing. This design requires three weeks to produce and a one-time set-up fee of \$350 per design.

Logo cards are available on the Voyager black card where we will add your logo to the top left portion of the card. For the vertical card style, the logo will be placed in the center right of the card. Logos are only available in white.

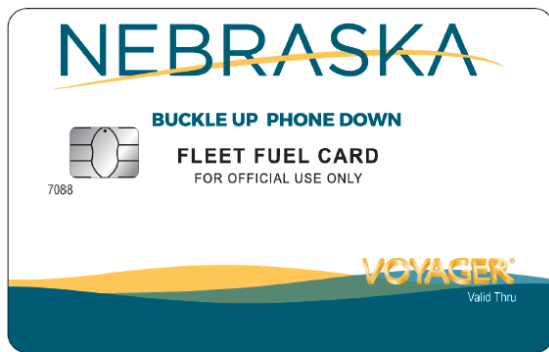


Customized card design

Should you wish to add your own company logo to the card plastic, the one color “stamp” is applied during embossing in the upper right or left of the member identification area. Customized cards require a minimum order of 1,000 cards and new custom card designs cost \$5,000. The process generally takes 14 to 16 weeks for card design and production.

All custom card requests produced and issued by U.S. Bank will be constructed of laminated PVC that meets the applicable ISO/IEC specifications. Specialized printing is available (e.g., foil, metallic, pearl).

Below is the current custom card design for the State. We will continue to provide this custom card design at no additional cost to the State for Voyager cards.



U.S. Bank Voyager Mastercard design options

Standard design

The primary advantage of choosing this design is that your cards can be produced and issued quickly. There are no additional design charges for the standard card design. We will provide the State with the standard card at no cost.



Logo cards

A logo card consists of the Standard Card design and a one color imprint that is applied to the card at time of embossing. This design requires three weeks to produce and a one-time set-up fee of \$350 per design. We will add your logo in the right portion of the card. Logos are only available in white.

Customized card design

For the fully custom card, as we do for you today with your own company logo to the card plastic, the one color “stamp” is applied during embossing on the right of the card. Customized cards



require a minimum order of 1,000 cards and new custom card designs cost \$5,000. The process generally takes 14 to 16 weeks for card design and production.

All custom card requests produced and issued by U.S. Bank will be constructed of laminated PVC that meets the applicable ISO/IEC specifications. Specialized printing is available (e.g., foil, metallic, pearl).

- e. State agency drivers are allowed up to five (5) transactions per day, State refueling sites are not included.

Yes, U.S. Bank can administer a transaction limit for all State of Nebraska drivers. This restricts the number of transactions allowed within the specified time. It may be set by day, week, month or billing cycle.

- f. State invoices will be received no later than Wednesday for the prior week transactions, received electronically and paid within 10 business days after the file has been received.

Yes, the State of Nebraska is currently setup for weekly billing on Mondays. The invoice is available on the following Tuesday. In addition to the weekly electronic billing file, the State may access the monthly Voyager statement in the portal following the billing cycle close on the first of each month.

3. UNIVERSITY OF NEBRASKA PROGRAM

- a. Ordering new or replacement cards will be restricted to the Fleet Management Director and Fleet Management Administrative Staff.

Per the University of Nebraska's requirements, the ordering of new or replacement cards can be restricted to certain personnel. As your current provider, we already have this in place. U.S. Bank will continue to work with you to ensure ordering new or replacement cards will remain restricted to personnel designated by you.

- b. University ID number will be a six (6) digit number.

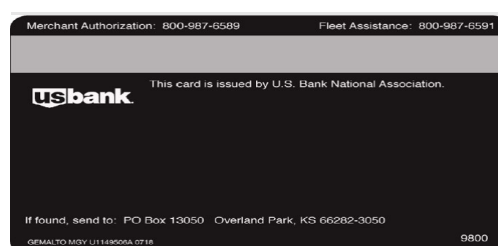
Yes, PIN, driver ID or vehicle ID may be any four-to-six-digit numeric entry.

- c. Noncustom plastic will be provided.

Voyager Fleet card design options

Standard design

The primary advantage of choosing this design is that your cards can be produced and issued quickly. There are no additional design charges for the standard card design. We will provide the State with the standard black or vertical card at no cost with the embossing features shown in the image below:





Embossing

The embossing options for the Voyager Fleet cards are:

- The first line can be embossed with 4 to 6 numeric digits: "Vehicle No. 123456".
- The second line can be embossed up to 25 characters with the account name.
- The third line can be embossed up to 17 characters total.

U.S. Bank will provide the State of Nebraska with the standard blue U.S. Bank card at no cost with the embossing features listed below:

- The first line can be embossed with 4 to 6 numeric digits: "Vehicle No. 123456".
- The second line can be embossed up to 25 characters with the account name.
- The third line can be embossed up to 17 characters total.

- d. Contractor must be willing to provide the University with one expiration date on all cards.

Yes, Voyager Fleet Card accounts have a standard four-year expiration period, however the flexibility of our system allows for a variety of options. As your current provider, we already have these requirements in place. U.S. Bank will continue consult with the State of Nebraska to understand and maintain your requirements for custom expiration dates.

- e. University drivers are allowed up to three (3) transactions a day.

Yes, U.S. Bank can administer a transaction limit for all University of Nebraska drivers. This restricts the number of transactions allowed within the specified time period. May be set by day, week, month or billing cycle.

- f. University invoices will be received weekly and sent electronically.

Yes, we will continue the same process of providing a weekly invoice via an electronic file. In addition to the weekly electronic billing file, the University may access the monthly Voyager statement in the portal following the billing cycle close on the 1st of each month.



D.FUNCTIONAL REQUIREMENTS

Bidders must address the functional requirements in Attachment A, Forms A.2 – A.4

Please refer to our responses in **A.2 – A.4**.

E.PROPOSED RESOLUTION

The State expects the awarded bidder to meet or exceed the levels of services currently provided. Additional details on current service levels and expectations provided in Attachment A. The contractor will work with the State and University staff to research and correct problems in a timely and professional manner throughout the entire contract.

Yes, U.S. Bank will continue to strive to meet and exceed the required level of service. Your Relationship Manager, Mark Hess, will have ultimate ownership for the relationship throughout the life of the program. Mark will work closely with individuals from all areas of U.S. Bank Corporate Payment Systems and will resolve most program issues, as well as provide direction during program implementation to facilitate the success of the program through continued consultation. Mark will take the initiative to fully understand your objectives and develop and monitor mutually determined account performance goals. Throughout the term of the agreement, Mark will conduct optimization and enhancement projects that focus on program expansion and the adoption of industry-wide best practices. He will also deliver account performance reviews, program updates and product enhancements.

F.PERFORM IMPLEMENTATION

Bidder must provide a detailed description of the implementation process, including a detailed test plan and a sample implementation timeline giving estimated lengths of time. Awarded bidder will be responsible to fully cooperate with current Contractor, State, and University during all phases of the implementation/transition.

By selecting U.S. Bank as your fleet card provider, the State will mitigate risk and take advantage of significant time and cost savings by eliminating the need for card reissuance. Since you are a current client of U.S. Bank, many entities within the State are already implemented on the Voyager® Fleet Card program. Because you can continue to use your current custom designed Voyager cards, you will save yourself the time and cost of a new card issuance, integration and implementation for those entities.

If a new implementation is needed for any entities not already on the program, a U.S. Bank Implementation Project Manager will be assigned. The Implementation Project Manager will design a detailed implementation project plan, conducting interviews with your personnel to refine program needs from the outset. The Implementation Project Manager monitors the progress of the program's implementation and works with participants to resolve any problems that may arise. The Implementation Project Manager will also coordinate the addition of new cardholder accounts to the processing system, as well as the set-up of Fleet Commander® Online.

Your Relationship Manager will have ultimate ownership for the relationship throughout the life of the program. Relationship Managers work closely with individuals from all areas of U.S. Bank Corporate Payment Systems and resolve most program issues. Your Relationship Manager will provide direction during program implementation and facilitate the success of the program through continued consultation. Relationship Managers also introduce participants to their Account Coordinator.



Your Relationship Manager will take the initiative to fully understand each organization's objectives and develop and monitor mutually determined account performance goals. Throughout the term of the agreement, he or she will conduct optimization and enhancement projects that focus on participants' program expansion and the adoption of industry-wide best practices. He or she will also deliver account performance reviews, program updates and product enhancements.

G. DELIVERABLES

Bidder should provide a copy of all agreements required to initiate all services listed in this RFP. Bidder agreements shall be edited to include only the services requested in this RFP and not contain language conflicting with the RFP, State law and Section II. Terms and Conditions of the RFP. The rebate proposal should be included with these agreements. This information can be included as a separate section labeled "Deliverables". The bidder understands that alternative terms and conditions may be rejected by the State.

Please see **Proposal Exhibit 1, Voyager Fleet Program Agreement** for "Deliverables".



A. PROPOSAL SUBMISSION

1. FINANCIAL STABILITY

The bidder must have financial stability to do business with the State of Nebraska for the length of the contract.

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 statement 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.

Financial stability will be determined by the State Accounting Administrator based on a totality of the circumstances of the firm including, but not limited to,

- a. Total equity,
- b. Equity as a percent of assets,
- c. Cash flow,
- d. Debt coverage ratios,
- e. Earnings,
- f. Analyst opinions,
- g. Pending and potential lawsuits, regulatory actions taken or pending against the firm,
- h. Compliance with regulatory capital requirements,
- i. Management stability,
- j. and other information bearing on the question of whether the firm is financially stable at the present time and can reasonably be expected to be financially stable through the term of the contract.

U.S. Bancorp, with approximately 77,000 employees and \$680 billion in assets as of June 30, 2023, is the parent company of U.S. Bank National Association, the nation's fifth-largest commercial bank. Our Minneapolis-based company serves millions of customers locally, nationally and globally through a diversified mix of our Consumer and Business Banking, Corporate & Commercial Banking, Payment Services and Wealth Management and Investment Services businesses.

MUFG Union Bank, consisting primarily of retail banking branches on the West Coast, joined U.S. Bancorp in 2022.

We have been recognized for our approach to digital innovation, social responsibility and customer service, including being named one of the 2023 World's Most Ethical Companies® and *Fortune's* most admired superregional bank.

Capital generation continues to reinforce our capital position with:

- **Common equity tier 1 capital ratio**—9.1%
- **Tier 1 capital ratio**—10.6%
- **Total risk-based capital ratio**—12.7%



Please refer to **Proposal Exhibit 4, U.S. Bancorp 2022 Annual Report** for more information.

At any given time, including the present, U.S. Bank is involved in disputes and litigation which normally occur in banking operations, and which often involve claims for money damages or injunctive relief. These pending cases are generally not considered unusual in number or amount, and – based on past experiences in similar litigation – should not have a material adverse effect on the financial position of (bank entity) nor impact the delivery of banking services to the State. As a practice, we do not comment on pending litigation except as set forth in the public filings of U.S. Bancorp, our holding corporation. For information about the material litigation of U.S. Bancorp and its subsidiaries, please refer to our most recent annual report.

2. 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.

U.S. Bancorp corporate headquarters address/U.S. Bank principal place of business

200 South 6th street, Minneapolis, Minnesota 55402

U.S. Bank NA corporate headquarters address

425 Walnut Street, Cincinnati, Ohio 45202

U.S. Bancorp is a Delaware corporation and the parent company of U.S. Bank, a diversified financial holding company, traded on the New York Stock Exchange under ticker symbol USB. Presently, there are no stated plans to change this ownership status.

U.S. Bank National Association is a national bank organized under the laws of the United States.

U.S. Bank is wholly owned by the holding company, U.S. Bancorp, which was incorporated in Delaware in 1929. There have been no changes of ownership since February 27, 2001, when Firststar Corporation, Milwaukee, Wisconsin and U.S. Bancorp, Minneapolis, Minnesota merged. U.S. Bancorp is located at 800 Nicollet Mall, Minneapolis, Minnesota 55402.

U.S. Bancorp was founded in 1863 (chartered July 13, 1863).

b. **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.

There is no anticipated change of ownership in the upcoming 12 months.



c. 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.

U.S. Bank Corporate Payment Systems
200 South 6th Street
Minneapolis, MN 55402

U.S. Bank Lincoln Tower
233 S. 13th St, 9th Floor
Lincoln, NE 68508

d. 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.

- U.S. Bank has enjoyed an expansive and diverse relationship with the State of Nebraska over the past 21 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)
U.S. Bank State of Nebraska
Stored Value Card Contract 68856 (O4)
Purchasing Card Contract 84289(O4)REN (1)
Fleet Card Services Contract 76031 (O4)
- Payment (Credit and Debit) Card Processing Services Contract 66533 (O4)

e. 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 bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

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 bidder or litigated and such litigation determined the bidder 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.

To the best of our knowledge, no such early termination of a contract has occurred.

3. SUMMARY OF BIDDER’S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder’s previous projects similar to this Request for Proposal 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: i. Provide narrative descriptions to highlight the similarities between the bidder’s experience and this Request for Proposal. These descriptions should include: a) The time period of the project,

The scheduled and actual completion dates,

The bidder’s responsibilities,

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

Each project description should identify whether the work was performed as the prime Contractor or as a subcontractor. If a bidder 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 bidders above. In addition, subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a subcontractor.

Time Period of Project	Scheduled and Actual Completion Dates	Contractors Responsibilities	Reference Name and Contact Information	Prime Contractor or Subcontractor	Completion Date
4 Years	State of Ohio Fleet Fuel Card contract scheduled to end 6/30/25 unless extended.	U.S. Bank has provided the Voyager fleet credit card to state agencies, political subdivisions, and higher education facilities within the State since 1999.	Shanna Stauffer-Holman Management Analyst, Ohio Department of Administrative Services, Office of Fleet Management 4200 Surface Road Columbus, Ohio 43228 P: 614-466-7612 Shanna.Stauffer@DAS.Ohio.gov	Prime Contractor	Ongoing





Time Period of Project	Scheduled and Actual Completion Dates	Contractors Responsibilities	Reference Name and Contact Information	Prime Contractor or Subcontractor	Completion Date
5 Years	State of Texas Fleet Fuel Card contract scheduled to end 4/30/24 unless extended.	U.S. Bank has provided the Voyager fleet credit card to state agencies, political subdivisions, and higher education facilities within the State since 1996.	Lee Christensen, Statewide Fuel Card Administrator, Texas Department of Transportation, 3500 Jackson Ave, Austin, TX 78731-6001 512.465.7332 leland.christensen@txdot.gov	Prime Contractor	Ongoing
4 Years	Sourcewell consortium contract scheduled to end 9/7/25 unless extended.	U.S. Bank has provided the Voyager fleet credit card to Cities, Counties, political subdivisions, and higher education facilities participating on the Sourcewell agreement since 2020. King County, WA currently participates on this agreement and has been a U.S. Bank Voyager customer since 1996.	Alison L. Yamasaki Fuel Data Analyst King County, Washington Department of Transportation, Fleet Administration 155 Monroe Ave. NE, Bldg. J, Renton, Washington 98056 (206)477-0188 Alison.yamasaki@kingcounty.gov	Prime Contractor	Ongoing

The U.S. Bank Voyager® Fleet Program provides a single-source solution to help you manage and control fuel maintenance costs no matter the type of vehicles that make up your fleet. With more than 25 years of fuel card experience and an industry-leading technology platform, we have the flexibility and expertise to meet the requirements and future growth of the State. Furthermore, we apply a collaborative approach to your fleet card program; we will continue to develop new technology and enhance our program in step with your evolving needs.

U.S. Bank acquired Voyager Fleet Systems Inc. in 1999, which was created in 1995 in response to requests from large fleets for a more flexible payment system. The oil industry experience of Voyager combined with the technical payment industry expertise of U.S. Bank created a well-connected and knowledgeable organization that was familiar with the specific needs for fleet purchases. Using that familiarity as a foundation, U.S. Bank and Voyager developed its state-of-the-art technology platform that includes our web-based program management tool, the Voyager portal.

We are an innovator in transportation payments and technology. Our electronic access system, the Voyager portal, is designed and built based on customer feedback. The system is fully owned by U.S. Bank and incorporates the most advanced technology and best practices for effective fleet management. The system allows organizations to streamline fuel and maintenance payments by:

- Ensuring auditability by tracking user ID access and actions for activities performed in the Voyager portal.
- Securing and maintaining span of control and enforcing fleet policy by allowing for multi-level approval for fleet transactions
- Effectively and efficiently managing fleet data through in depth data analytics.

This insight into your historical and future data allows you to improve fleet routing, performance, sustainability and adherence to your fleet management policies.

Our experienced personnel maintain an ongoing commitment to your success by developing a thorough understanding of your business environment and creating an integrated product strategy that promotes





your goals and objectives. From sales to relationship management, from operations management to account support, U.S. Bank will remain fully engaged with the State.

4. 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 Request for Proposal. 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 bidder's understanding of the skill mixes required to carry out the requirements of the Request for Proposal 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.

Resumes

U.S. Bank cannot provide individual resumes, as they contain Personal Identifiable Information (PII). In lieu of resumes, we have provided the following biographies for the proposed personnel so the State may develop an understanding of our team members' academic background and degrees, professional certifications, understanding of the process, competence and skill level.

A hallmark of the way U.S. Bank does business is our consultative approach—we ask questions, listen and make program suggestions based upon our years of experience. We have assembled a highly specialized service team to guide you through the implementation of your fleet card program and to provide superior ongoing consultation and service. The members of this team include the following roles:

Sales Representative

The Sales Representative is responsible for the overall sale of your fleet card program. They build the initial relationship with the State and is committed to helping your organization determine program needs and identify opportunities for use and introduces the implementation process.

Beverly Wilson, Assistant Vice President, Public Sector and Higher Education Sales, Nashville, Tennessee

Beverly has worked in the transportation industry for more than 36 years. She joined U.S. Bank in 2014 as an Over The Road Card Sales Consultant. She has extensive knowledge in the fuel card industry, fuel management, regulatory compliance and freight brokerage for Class 7-8 vehicles. Beverly migrated from her Over The Road focus to the Voyager program so she could support several special projects and add our Aviation Card program to her portfolio and experience. In her current role, she is responsible for identifying and securing new fleet business with federal, state and local government entities, as well as higher education institutions, either directly or through political subdivisions.



Relationship Manager

Your dedicated Relationship Manager will provide direction during program implementation and facilitate the success of your program through continued consultation. Relationship Managers also introduce you to your Account Coordinator. Your Relationship Manager will take the initiative to fully understand your objectives and develop and monitor mutually determined account performance goals. Throughout the term of your agreement, your Relationship Manager will conduct optimization and enhancement projects that focus on your program expansion and the adoption of industry-wide best practices. Your Relationship Manager will also deliver account performance reviews, program updates and product enhancements.

Mark Hess, Assistant Vice President, Relationship Manager, Minneapolis, Minnesota

Mark Hess has worked in the financial services industry for more than 20 years, serving corporate, state government and financial institution clients. Mark has 20 years of experience with U.S. Bank in the fleet card, purchasing card, corporate travel card and payables industry. For the past 12 years, he has been a Relationship Manager dedicated to public sector clients that use the U.S. Bank Voyager Fleet Card solution. He currently manages the fleet fuel card programs for state government, local government, higher education and non-profit clients. Mark attended Taylor University in Upland, Indiana and received his degree in Business Administration.

Anna Milbach, Senior Vice President, Government Banking Relationship Manager, Cedar Rapids, Iowa

Anna Milbach is a Government Banking Relationship Manager and Senior Vice President at U.S. Bank and has been with the bank since 2013. She is based in Cedar Rapids, Iowa. Prior to joining U.S. Bank, Anna was with another large Bank for seven years with roles in Business Banking and leadership positions. Anna serves exclusively government clients throughout a few states in the Midwest. Anna has a Bachelor of Arts in Accounting, Bachelor of Arts in Business Administration, Master of Business Administration, and a Master of Management all from the University of Mary in Bismarck, North Dakota.

Anna previously served on the Rochester Art Center Board and Waypoint Services Board. She is Leadership Greater Rochester Alumni and Leadership for Five Seasons Alumni. She also is a Waypoint Tribute to Women Honoree, Iowa Women's Foundation Ovation Honoree and has co-chaired the U.S. Bank local United Way campaign. Anna currently serves on the state-wide Women Lead Change Board of Directors and is on the Steering Committee for Women United.

Cheryl Garcia, Senior Vice President, Government Transportation Relationship Management, Del Rio, Texas

Cheryl Garcia leads the U.S. Bank Government Transportation program and has continuously innovated the program since she first joined U.S. Bank in 2004. She now heads a team that delivers best-in-class payment solutions to the United States Departments of Defense, Homeland Security, State, Health and Human Services, Veteran's Affairs, United States Postal Service and more than seventy other federal agencies and state governments. Her team oversees all aspects of sales, relationship management, implementation, account management and customer service for U.S. Bank Freight Payment and U.S. Bank Voyager Fleet government customers.

Cheryl continues to build on her deep roots and keen knowledge of strategy, finance, and the transportation industry. Cheryl achieved an Executive Education Certificate in "Fintech Revolution: Transformative Financial Services and Strategies" at the University of Pennsylvania, Wharton School in 2021. Cheryl holds an Executive Master of Business Administration (MBA) from the University of Texas at San Antonio and is a Certified Public Accountant. Cheryl founded three transportation companies while earning a bachelor's in business administration at the University of Texas, building the business into a leader in the industry before selling it in 2000. She has been a management consultant to Fortune 500 and government organizations and led her own tax firm. She has provided corporate governance as the only female on of the corporate board for one of the nation's largest municipally owned utilities, CPS Energy and currently serves on the United States Postal Service Strategic Supplier Board of Advisors.



Account Coordinator team

The U.S. Bank Account Coordinator Team will provide ongoing daily service and consultation to your Fleet Administrator. The Account Coordinators assist with all aspects of program management. Throughout the term of your contract, Account Coordinators will also evaluate your reporting needs and help to optimize your online reporting environment, as well as assist with any client-driven changes to your reporting and hierarchy options. Account Coordinators are also responsible for researching authorization declines, investigation of reconciliation or out-of-balance issues and dispute resolution. Account Coordinators leverage the expertise of internal research teams to ensure quick and accurate results.

Customer Service Representatives

Our Customer Service Department provides toll-free 24/7 account assistance upon verification of personal information. Responsibilities include responding to emergency roadside assistance needs, assisting with our vendor location tools and driver support (how to use the card, assistance with over-the-limit transactions, fuel and maintenance rules, etc.). Our Customer Service Department also manages account maintenance requests such as card replacement, manual authorizations, processing lost/stolen card reports and resets passwords.

Technical Support Specialists

Our highly trained technical support specialists assist you with software access and provide web- or phone-based training.

Query/Macro Support Specialist

The Query/Macro Support Specialist manages emergency or custom query requests and processes emergency card limit updates, account conversions or any other bulk card requests.

5. 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.

U.S. Bank utilizes no Subcontractors in the performance of this contract.

4. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. Understanding of the project requirements;
- b. Proposed development approach;
- c. Technical considerations, including Attachment A;
- d. Detailed implementation plan; and
- e. Rebate Proposal.

Form A

Bidder Proposal Point of Contact

Request for Proposal Number 6819 Z1

Form A should be completed and submitted with each response to this Request for Proposal. 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 National Association
Bidder Address:	200 South 6 th Street Minneapolis, MN 55402
Contact Person & Title:	Mark Hess, Assistant Vice President, Relationship Manager
E-mail Address:	Mark.Hess1@usbank.com
Telephone Number (Office):	612-436-6544
Telephone Number (Cellular):	612-964-8162
Fax Number:	N/A

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 National Association
Bidder Address:	200 South 6 th Street Minneapolis, MN 55402
Contact Person & Title:	Mark Hess, Assistant Vice President, Relationship Manager
E-mail Address:	Mark.hess1@usbank.com
Telephone Number (Office):	612-436-6544
Telephone Number (Cellular):	612-964-8162
Fax Number:	N/A

FORM A.1.a

Mandatory Project Requirements

Request for Proposal Number

Please answer the following mandatory questions with a check mark after the appropriate response. Any "No" answer will eliminate the bidder from further evaluations.

Yes No Bidder must be an authorized issuer of cards for the purposes detailed in Section V of this RFP.

Yes No Bidder must have a minimum of five (5) years experience providing Fleet Fuel Card services to a program of similar size.

FORM A.1.b

Project Requirements

Request for Proposal Number

Please answer the following question with a check mark after the appropriate response.

Yes No Has your company completed the Viewpoint Diversity Score Business index survey conducted by the Alliance Defending Freedom?

Please answer the following two questions and if a yes answer is given, please disclose those commitments.

Yes No Has your company made any public statement or enacted any policies which commits all assets under management to be used for a social or political purpose? If yes, please disclose those commitments.

Yes No Is your company a member of any organizations or associations which require members to use all assets under management for a social or political purpose? Examples include, but are not limited to, GFANZ, the Net Zero Banking Alliance or Climate Action 100. If yes, please disclose those commitments.



FORM A.2 Baseline Functional Requirements 6819 Z1

Each bidder must use this format to respond in a detailed manner and explain how the bidder will comply with the follow statements, based on the current services.

GENERAL REQUIREMENTS	
2.1	<p>Currently there are two categories for vehicle related items, Fuel and Vehicle accessories. Describe what is included in each category.</p> <p>Response: Any fuel-related purchase would fall under the fuel purchase category, and any vehicle accessory purchases such as oil, wiper blades, windshield washer fluid, etc., and/or preventive maintenance and repair such as oil changes, tire repairs, broken belt repairs, lights, etc., would fall under the non-fuel purchases. The transaction data for fuel and non-fuel purchases can be found in the Transaction Reports.</p> <p>For more information relating to purchases and purchase categories please refer to Proposal Exhibit 5, Sample Reports PROPRIETARY INFORMATION.</p>
2.2	<p>The State and University of Nebraska are exempt from Federal fuel taxes and Nebraska state taxes on non-fuel items. The State and University will provide tax exempt certificates upon final contract. Detail how your Fleet Fuel Card software can track these taxes and provide an invoice that does not include taxes.</p> <p>Response: We offer qualified customers a sophisticated Federal excise tax-exemption process that is handled live in our system as transactions are received, not later or via a third party like with other fleet card providers. U.S. Bank bills all Federal excise tax-exempt accounts for purchases of unleaded and/or diesel fuel made on the card, less any applicable Federal fuel excise tax allowed by law to which they are entitled.</p> <p>We process Federal fuel excise tax exemptions for all state and local government entities that qualify for Federal tax exemptions on fuel products of gas, diesel, aviation gas and kerosene.</p> <p>In states in which we are a registered Ultimate Vendor, we process State excise tax exemptions the same way we process Federal fuel tax exemptions. In states where we are not a registered Ultimate Vendor, we can process applicable state fuel excise tax exemptions through agreements with the oil companies/processors where allowed by law.</p> <p>U.S. Bank Voyager® is legally able to take the position as the Ultimate Vendor on Federal gas and diesel tax exemptions only. This means that if a Voyager entity/customer is exempted from Federal gas or diesel, Voyager will exempt those taxes automatically and net them from the customer's billing statement without any involvement from the merchant.</p> <p>U.S. Bank Voyager is not legally able to take that same position as the Ultimate Vendor on any state tax exemptions, which leaves the responsibility to the merchant. Voyager can administer the tax exemption via the Voyager F900 mainframe and billing system but cannot fund the exemption. Voyager can only administer these calculations for our customers, if given permission by the merchant via a merchant update file sent to Voyager weekly by the participant. The merchant has the right to choose to participate in the tax-exempt program or place the responsibility back on the customer.</p> <p>The following information is contained in this weekly site file: participant identifier code, merchant name, merchant ID number, merchant address with city, state and ZIP code and merchant tax indicators. Those indicators include the following tax types: state motor fuel excise, state diesel,</p>



	<p>state secondary motor fuel and state sales tax. If these fields contain a “Y” then this gives Voyager the permission to calculate the tax exemption that pertains to the customer using that individual location. If the field contains an “N” this means Voyager will pass the transaction through the system with tax included, putting the responsibility back on the customer for obtaining the refund.</p> <p>Customers have the right to use another location that participates in the tax-exempt program. U.S. Bank Voyager can explain the process to the merchant, if confused and reported by the customer. However, U.S. Bank Voyager will not be responsible for calling merchants that do not currently participate to get them to join.</p> <p>To further clarify, some merchants that use an independent processor for communication of their transactions to Voyager will not have the capability of supporting this because of restrictions of passing the data by the processor. Some participants just choose not to participate.</p> <p>Please also note that once a transaction has posted to our mainframe, Voyager is unable to charge the tax-exempt amount back. We can adjust the indicators moving forward, if given permission by the merchant only.</p>
2.3	<p>The State and University have several refueling sites in Nebraska; please detail how the State and University can “privatize” your fuel card code to enable the State and University to process fuel transactions directly into our fleet management system (FMS) from these sites.</p>
	<p>Response: U.S. Bank allows for integration with client refueling sites. Integration work will require a detailed technical requirements review along with scoping and prioritization. A transaction fee may be included based on the scope of work.</p>
2.4	<p>Detail how the bidder’s program environment will ensure privacy and security for all data received and stored.</p>
	<p>Response: Voyager encrypts all data transmissions between all servers using the strongest available industry-standard Secure Sockets Layer (SSL) protocols. Network messages are not decrypted until they are inside our firewall. In addition, user IDs and passwords are tied to specific organizational levels and areas of internet functionality.</p> <p>Voyager data is segmented out within the U.S. Bank network, which is protected by a firewall within the local area network (LAN). All network traffic in and out of the Voyager segmented network must have a business purpose and is encrypted in transit. No unauthorized access is allowed into this LAN segment.</p> <p>U.S. Bancorp products and services are highly data-driven and have a continuous focus on cybersecurity. We participate in multiple industry working groups focused on sharing cybersecurity information and leads the Financial Services Information Sharing and Analysis Center (FS-ISAC), a financial services sector classified information-sharing working group. Technology Services provides critical cyber protection services to the enterprise. Specifically, it has programs and management practices in place to evaluate and manage cyber risks, including:</p> <ul style="list-style-type: none"> ▪ Security Governance program ▪ Executive strategy and communication ▪ Risk Assessment program ▪ Security architecture management ▪ Role-Based Access Management program ▪ Security Monitoring Activities/Incident Management program ▪ Patch Management program ▪ Vendor Risk Management program ▪ Data Classification program ▪ Data Loss Prevention (DLP) program ▪ Security Baseline Compliance program ▪ Endpoint protection and malicious activity management



	<ul style="list-style-type: none"> ▪ Security Awareness and Training program ▪ Threat and Vulnerability Management program ▪ Network security management <p>We implement policies, procedures and tools addressing encryption and certificates management, secure firewall rules management, network boundary protection and compliance monitoring to identify and remediate deviations.</p> <p>U.S. Bancorp encryption standards support the interoperability of diverse communication systems that handle the storage and transmission of information assets across the distributed environment. Standards apply acceptable protocols to meet compliance objectives for PCI standards and Information Security policies.</p>
	SPECIFICATIONS
2.5	Detail if any special hardware and/or card specific software or proprietary software is required to privatize the fuel card.
	<p>Response:</p> <p>No special hardware and/or software is required as U.S. Bank will continue work with the State of Nebraska (the State) to avoid requiring special hardware and/or software, but this will depend on the specific requirements of the State.</p> <p>The system requirements for the Voyager portal are:</p> <ul style="list-style-type: none"> ▪ The Voyager portal can also be accessed by browsers such as Microsoft Edge, Google Chrome, Firefox and Safari. ▪ Adobe® Acrobat® Reader™ 4.0 (or higher)
2.6	Detail the process for the State or the University to order new cards via a secure internet site by authorized users.
	<p>Response:</p> <p>Our online tool, the Voyager portal, has the functionality to order new cards, replacement cards, cancel cards and lock/unlock cards. An approved user can add new or request replacement cards using the Voyager portal. Once the user saves the card, the request is sent to the processing center that creates the card. Requests put in the system prior to 5 p.m. CT will be processed the next day, and requests after 5 p.m. CT will be processed within two business days. Standard delivery time is seven to ten days.</p> <p>For card replacements due to damage, loss or theft please refer to our answer in Question 2.7 below.</p>
2.7	Detail how the process would differ if the card ordered via a secure site is a replacement due to the card being damaged, lost or stolen.
	<p>Response:</p> <p>When a replacement card is required, the Fleet Manager calls the U.S. Bank Customer Service Center to report a card lost or stolen and request a replacement. A request to replace a lost or stolen card can also be placed online at voyger.usbank.com, but in an emergency, we recommend a direct call to our Service Center. No replacement fees are charged and the State is not responsible for any fraudulent charges made to the card after notification.</p>
2.8	Detail any Application Programming Interface (API) or process integrations to permit ordering cards in 3 rd party Fleet Fuel Management Systems.
	<p>Response:</p> <p>We can send and receive card data to and from your third-party service provider via electronic files that can communicate updates on card status in which your third-party service providers would use for billing transactions to the State. The electronic files can also be used to update the cards on our systems for a seamless integration.</p>



	<p>Voyager also offers application programming interfaces (APIs) to provide visibility into your fleet program by helping you better manage your cards, drivers, and vehicles. With U.S. Bank Voyager APIs, you can increase your visibility with controls and access to real-time program and transaction data.</p>
<p>2.9</p>	<p>Detail the process(es) to order new cards or replacement cards, cancel cards, or lock/unlock cards outside of normal business hours of Monday through Friday 8 AM – 5 PM Central Time.</p>
	<p>Response: Card ordering can be accomplished in three ways:</p> <ul style="list-style-type: none"> ▪ Telephone—An authorized individual using the proper security identification can order a new or replacement card by calling Client Services. Requests put in the system prior to 5 p.m. CT will be processed the next day, and requests after 5 p.m. CT will be processed within two business days. Standard delivery time is seven to ten days after ordering. ▪ Online—An approved user can add new or request replacement cards using the system. Once the user saves the card, the request is sent to the processing center that creates the card. Requests put in the system prior to 5 p.m. CT will be processed the next day, and requests after 5 p.m. CT will be processed within two business days. Standard delivery time is seven to ten days. ▪ Fleet data form submission— The Voyager portal has multiple card setup capabilities, and we also offer the ability to submit our Fleet Data form electronically via email to a Customer Service Representative. This data is uploaded into the system and the Customer Service Representative will provide the requester a list of pending card setups for the ordering entity to review. Any edits are requested and then approved. Requests put in the system prior to 7 p.m. CT will be processed the next day, and requests after 7 p.m. CT will be processed within two business days. <p>U.S. Bank Voyager Fleet Card Program Customer Service Representatives are available to assist the State with any account issues 24/7. Because our toll-free number is listed on the back of every card issued, you can take comfort knowing that your drivers have 24/7 access to live Customer Service Representatives for all emergency authorization and roadside assistance needs.</p> <p>Other services available by dialing our toll-free number are:</p> <ul style="list-style-type: none"> ▪ 24/7 fuel and maintenance authorization ▪ 24/7 emergency roadside assistance (out of gas, lock outs, tire repair, towing, etc.) ▪ 24/7 assistance for locating fuel and maintenance locations ▪ 24/7 driver support (how to use the card, assistance with over-the-limit transactions, fuel and maintenance rules, etc.) ▪ Between the hours of 7 a.m. and 7 p.m. CT, our Customer Service provides: <ul style="list-style-type: none"> • Full account maintenance (card, vehicle, driver, billing, limit requests, etc.) • Transaction dispute resolution assistance • Technical support
<p>2.10</p>	<p>Detail the timeline from requesting a new card to delivery of the card.</p>
	<p>Response: Card ordering can be accomplished in three ways:</p> <ul style="list-style-type: none"> ▪ Telephone—An authorized individual using the proper security identification can order a new or replacement card by calling Client Services. Requests put in the system prior to 5 p.m. CT will be processed the next day, and requests after 5 p.m. CT will be processed within two business days. Standard delivery time is seven to ten days after ordering. ▪ Online—An approved user can add new or request replacement cards using the system. Once the user saves the card, the request is sent to the processing center that creates the



	<p>card. Requests put in the system prior to 5 p.m. CT will be processed the next day, and requests after 5 p.m. CT will be processed within two business days. Standard delivery time is seven to ten days.</p> <ul style="list-style-type: none"> ▪ Fleet data form submission— The Voyager portal has multiple card setup capabilities, and we also offer the ability to submit our Fleet Data form electronically via email to a Customer Service Representative. This data is uploaded into the system and the Customer Service Representative will provide the requester a list of pending card setups for the ordering entity to review. Any edits are requested and then approved. Requests put in the system prior to 7 p.m. CT will be processed the next day, and requests after 7 p.m. CT will be processed within two business days.
2.11	<p>Currently replacement cards are issued within five (5) business days. Detail the timeline to request a replacement card to delivery of the card.</p>
	<p>Response: Replacement cards can be conveniently ordered online. Additional options include telephone (by authorized personnel only), written request (fax or email) and electronic file. Replacement cards can be ordered the day the card is requested and can be mailed the next business day. Cards sent via USPS must allow five to seven business days for delivery. If the State would prefer that cards be sent via overnight delivery as a regular course of business, we will comply and bill the State accordingly (\$20.00 overnight fee per shipment of up to 100 cards).</p>
2.12	<p>Detail how new or replacement cards will be no cost, including free shipping. Detail how any tracking information is provided when cards are shipped.</p>
	<p>Response: There is no fee for standard delivery. If the State would prefer that cards be sent via overnight delivery as a regular course of business, U.S. Bank will comply and bill the State of Nebraska accordingly (\$20.00 overnight fee per shipment of up to 100 cards).</p>
2.13	<p>Detail who will bear the cost for express shipping for a new card and for a replacement card if needed.</p>
	<p>Response: Please refer to our answer to Question 2.12 above for costs related to shipping.</p>
2.14	<p>Detail how the bidder will be notified if express shipping is required.</p>
	<p>Response: When a new card is ordered online through the Voyager portal by an approved user, the State may select express shipping or by letting a Client Services Representative know express shipping is required. U.S. Bank will work closely with the State to meet your requirements if express shipping is needed.</p> <p>For more information on card replacements, please refer to our answers in Question 2.4 and Question 2.9.</p>
2.15	<p>Detail the length of time a card is valid for.</p>
	<p>Response: Voyager Fleet Card accounts have a standard four-year expiration period; however, the flexibility of our system allows for a variety of options. U.S. Bank will consult with the State to understand your requirements for custom expiration dates.</p> <p>All fleet cards in good standing are automatically reissued every four years. They are mailed to the card address set up in the system.</p>
2.16	<p>Describe how card numbers will be unique when receiving new cards. The State cannot allow recycling of card numbers.</p>
	<p>Response: Yes, U.S. Bank will comply with issuing unique card numbers.</p>
2.17	<p>Detail what information is maintained and controlled in the magnetic strip or chip.</p>
	<p>Response:</p>



	The embedded chip stores information required to verify, authorize and process transactions along with the assigned vehicle, equipment, driver, account number, expiration date, PIN (if applicable) and purchasing restrictions.
2.18	Detail how the authorization can be restricted to include an odometer reading and Personal Identification Number (PIN).
	<p>Response: The fleet program administrator has the option to assign each card with a required customizable numeric ID (e.g., driver ID or vehicle ID), and the odometer reading is highly recommended.</p> <p>The following is the minimum information required to add a card in the Voyager portal:</p> <ul style="list-style-type: none"> ▪ Card assignment to driver, vehicle or central administrative account. ▪ Fuel Only or Fuel and Other restrictions. ▪ Prompt for odometer option. ▪ Prompt for driver ID, vehicle ID or PIN (Personal Identification Number) option. ▪ Vehicle ID or driver ID number. ▪ Embossing details.
2.19	Currently cards are assigned to a vehicle, equipment or a shop, detail how the bidder can comply. Detail if a card could be assigned to a driver or any additional assignment options available.
	<p>Response: Voyager and Voyager Mastercard Fleet Cards are issued and controlled at the individual card or account level. This functionality allows cards to be assigned to the driver, vehicle, equipment, division or cost center.</p> <p>The Fleet Card Administrator assigns a customizable numeric ID (e.g., driver ID or vehicle ID) required, with the odometer reading highly recommended.</p> <p>Card control details are as follows:</p> <p>Driver ID, vehicle ID and PIN terminology</p> <ul style="list-style-type: none"> ▪ The Generic Voyager PIN (Personal Identification Number) is a number assigned to a single card. ▪ The Driver ID is assigned to a single driver for use with any vehicle card. ▪ The Vehicle ID is assigned to a single vehicle for use with any driver card. ▪ All PINs are six digits, unique and may not be duplicated. <p>Vehicle cards</p> <p>A card may be assigned to a vehicle that is used by one or more drivers. If the card is assigned to a vehicle:</p> <ul style="list-style-type: none"> ▪ The vehicle ID can be embossed on the card. ▪ The PIN can be the driver ID or a unique number for that card: <ul style="list-style-type: none"> • If the PIN is a driver ID, it is checked against a list of valid driver IDs. • If the PIN is a unique number for that card, it is checked against the specific information set up for that card (not available for Voyager Mastercard). • PINs and IDs must be six numeric digits. ▪ Any driver can fuel the vehicle. ▪ All vehicle cards can be established in the database for reporting purposes.



	<p>Driver cards</p> <ul style="list-style-type: none"> ▪ If the driver is assigned a card: <ul style="list-style-type: none"> • The driver’s name can be embossed on the card. • The PIN can be the vehicle ID or a unique number for that card. • The driver can fuel any vehicle. • All drivers can be established in the database for reporting purposes. ▪ If the PIN is a vehicle ID, it is checked against a list of valid vehicle IDs. ▪ If the PIN is a unique number for that card, it is checked against the specific information set up for that card. ▪ PINs and IDs must be six numeric digits. <p>Restrict PIN to card</p> <p>PINs can be established for use with a specific fleet card, which provides the following benefits:</p> <ul style="list-style-type: none"> ▪ Enhanced fraud control reduces overall fraud risk. ▪ If PIN is compromised—only have to notify single user vs. multiple users. ▪ PIN selection is streamlined and can be customized.
2.20	Detail how the bidder can add a station that is currently not part of the bidder’s network.
	<p>Response:</p> <p>Our network can accommodate the ability to add stations. However, this action is dependent upon a contractual event with the merchant if the site is already not in the network. There will also be merchant/site passing necessary compliance checks for Know Your Customer and Anti-Money Laundering.</p> <p>As we continue to expand our network, your cardholders also have access to more than 320,000 major and regional fuel and maintenance locations in all 50 states and Puerto Rico, with new sites added daily. Drivers can experience seamless transactions at private fueling sites, truck stops, electric vehicle charging stations, maintenance providers and service locations. Of those merchants, approximately 180,000 are fuel merchants, which represent 97% of all accepting fuel merchants in the United States.</p> <p>The Voyager Mobile App allows drivers to pinpoint fueling locations, current price and routing with their smartphones or tablets. It includes filtering by fuel type and amenities such as car washes, pay at the pump, space for oversized vehicles and maintenance service capabilities. Drivers can use the hands-free audio feature that announces information, allowing them to remain focused on the road.</p> <p>We have established strategic relationships with all the major oil companies and regional fueling locations across the United States, including but not limited to:</p>



Fueling locations



Maintenance locations



*Voyager Maintenance Solution acceptance location
 **Implementing Voyager Maintenance Solution acceptance

Voyager collaborated with Mastercard to expand our acceptance network to include approximately 168,000 fueling and 416,000 maintenance locations. The Mastercard alliance also expands acceptance to travel merchants (hotels, dining, car rental, etc.). This on-demand capability offers flexibility to over-the-road and cross-border drivers as well as handling unexpected or emergency expenses, such as an overnight stay while a vehicle is repaired or for a fuel transaction across the border in Canada or Mexico.

The Voyager Acceptance Locator is a web-based or mobile tool that provides card users with detailed merchant and service information for all locations on the Voyager Network accepting the Voyager Fleet Card. In addition to pinpointing locations, the locator identifies the average fuel price in the search area as well as the lowest cost fuel providers.



The Voyager Acceptance Locator pinpoints the merchant's location, fuel prices and other information based on the user's search criteria and generates an interactive map that offers driving directions and compares merchant locations to the average fuel price in the search area.

The Voyager Acceptance Locator may be accessed at:
<https://www.fleetcommanderonline.com/app/public/merchantLocator.do>

2.21 Detail software limits on number of transactions per day for fuel and non-fuel purchases per driver.

Response:

Your spending control options per driver include:

- **Dollar spend limit**—Maximum dollar amount authorized within the specified time period. Spending limits are replenished automatically the following day, week, month or cycle date. Spend limits are calculated on the date of posting from the oil company.
- **Transaction limit**—Restricts the number of transactions allowed within the specified period. May be set by day, week, month or billing cycle.
- **Purchase day**—Restricts spending to certain days of the week to match with standard business practices (e.g., Saturday and Sunday purchases are not allowed).
- **Purchase time**—Restricts spending within a certain time frame to match with standard business practices (e.g., transactions are allowed between 8 a.m. and 5 p.m.).
- **Hard or soft limits**—Hard decline parameters immediately decline the transaction at the point of sale if any of the limits specified were exceeded. Soft decline parameters instruct the retailer to call for authorization to allow one additional transaction.
- **Temporary limits**—Allow a Fleet Manager to create a short-term increase of a driver's standard limits for either a number of transactions or a date range.





2.22	Detail software limits on number of transactions per day for fuel and non-fuel purchases per card .
	<p>Response: Your spending control options per card include:</p> <ul style="list-style-type: none"> ▪ Fuel only restriction—Prevents purchases of any other commodity and services other than fuel. ▪ Fuel and other restriction—Allows the purchase of any commodity. ▪ Product code restrictions—Allows restrictions to be placed on what types of products can be purchased with the card (Voyager only). ▪ Product limits—Products that are marked as allowed for purchase can have transaction and dollar limits placed on how frequently and how much can be purchased (Voyager only). ▪ Gallon controls—Available at truck stops (Voyager only). <p>We can administer the following restrictions on a card-by-card basis or at the account level:</p> <ul style="list-style-type: none"> ▪ Dollar spend limit—Maximum dollar amount authorized within the specified time period. Spending limits are replenished automatically the following day, week, month or cycle date. Spend limits are calculated on the date of posting from the oil company. ▪ Transaction limit—Restricts the number of transactions allowed within the specified period. May be set by day, week, month or billing cycle. ▪ Purchase day—Restricts spending to certain days of the week to match with standard business practices (e.g., Saturday and Sunday purchases are not allowed). ▪ Purchase time—Restricts spending within a certain time frame to match with standard business practices (e.g., transactions are allowed between 8 a.m. and 5 p.m.). ▪ Hard or soft limits—Hard decline parameters immediately decline the transaction at the point of sale if any of the limits specified were exceeded. Soft decline parameters instruct the retailer to call for authorization to allow one additional transaction. ▪ Location—Authorization limits allow your Fleet Managers to limit purchases to states, ZIP codes and individual locations. (Mastercard may apply) ▪ Merchant Category Code (MCC)—Ability to control the type of sale for fuel, non-fuel products and maintenance. One or more types may be selected. (Voyager only) ▪ Odometer validation—Can be enforced on any vehicle in the program to ensure valid odometer readings are captured. (Voyager only) ▪ Partial authorization—Enables pump shutoff when a limit is reached. (Voyager only) ▪ Mastercard restrictions—Ability to control fuel, non-fuel and travel merchant category acceptance.
2.23	Detail times or days that the card cannot be used .
	<p>Response: We can administer the following restrictions on a card-by-card basis or at the account level:</p> <ul style="list-style-type: none"> ▪ Purchase day—Restricts spending to certain days of the week to match with standard business practices (e.g., Saturday and Sunday purchases are not allowed). ▪ Purchase time—Restricts spending within a certain time frame to match with standard business practices (e.g., transactions are allowed between 8 a.m. and 5 p.m.).
2.24	Detail if restrictions can be made to prevent a transaction after a specific time of the day, such as after 6:00 PM.
	<p>Response: We can administer the following restrictions on a card-by-card basis or at the account level:</p> <ul style="list-style-type: none"> ▪ Purchase day—Restricts spending to certain days of the week to match with standard business practices (e.g., Saturday and Sunday purchases are not allowed).



	<ul style="list-style-type: none"> ▪ Purchase time—Restricts spending within a certain time frame to match with standard business practices (e.g., transactions are allowed between 8 a.m. and 5 p.m.).
2.25	<p>Detail how dollar limits can be set per transaction.</p> <p>Response: We can also administer the following restrictions on a card-by-card basis or at the account level:</p> <ul style="list-style-type: none"> ▪ Dollar spend limit—Maximum dollar amount authorized within the specified time period. Spending limits are replenished automatically the following day, week, month or cycle date. Spend limits are calculated on the date of posting from the oil company. ▪ Transaction limit—Restricts the number of transactions allowed within the specified period. May be set by day, week, month or billing cycle.
2.26	<p>Detail how administration can adjust dollar limits per card.</p> <p>Response: Using the Voyager portal, the Fleet Administrator can change or add the following information, in real-time, to an individual card or a profile of multiple cards:</p> <ul style="list-style-type: none"> ▪ Limits—Number of transactions allowed daily, weekly, monthly and cycle, dollars allowed daily, weekly, monthly and cycle, valid purchase days and valid purchase times are available on program. ▪ Demographic information—Five customizable fields allowed on each card, driver and vehicle. ▪ Reporting hierarchy/access rights—Move users within the reporting hierarchy as well as alter their access rights in the system. ▪ Account setup/cancel and card order—Cancel and order cards and enter desired embossing text. ▪ Card comments—Add comments in a free-form text field for the card that can then be viewed in reporting. ▪ Driver/vehicle detail—Attribute fields related to driver information (driver name, driver ID, etc.) or vehicle information (VIN, license plate number, etc.). <p>Other controls can be changed upon request through the Account Coordinator Team and will typically take effect the next business day.</p> <p>Temporary limits allow a Fleet Manager to create a short-term increase of a card’s standard limits for either a number of transactions or a date range. This offers added convenience for vehicles on extended travel or those temporarily using more fuel than customary. The Fleet Manager can set the limit in the Voyager portal, and then it will simply revert to the original limits once the number of transactions or date expires. Only transaction limits and purchase limits can be set with temporary limits; all other limits will remain in effect.</p>
INVOICING	
2.27	<p>Detail how transaction fees are charged.</p> <p>Response: Please refer to Proposal Exhibit 5, Financial Proposal for a detailed description of potential fees.</p>
2.28	<p>Detail if and how monthly fees are charged for cards issued.</p> <p>Response: Please refer to Proposal Exhibit 5, Financial Proposal I for a detailed description of potential fees.</p>
2.29	<p>Detail if and how the annual fee for cards is billed.</p> <p>Response: U.S. Bank does not charge and annual fee. Please refer to Proposal Exhibit 5, Financial Proposal for a detailed description of potential fees.</p>
2.30	<p>Detail if and how an annual fee for cards is charged even when the card is not used.</p>



	<p>Response: U.S. Bank has waived the annual fee. Please refer to Proposal Exhibit 5, Financial Proposal for a detailed description of potential fees.</p>
2.31	<p>Detail the timeline from the time of transaction to when the transaction is invoiced.</p>
	<p>Response: A transaction usually posts between 12 and 48 hours. Posting time is contingent on the merchant.</p> <p>The Voyager portal provides the ability to view authorization and completed transaction information by card, driver or vehicle in real-time. Users can include all transactions or filter the transactions by account or organizational levels, day parameters, including time periods (today, yesterday), time ranges, user codes or invoice number.</p> <p>Transaction detail is available in the reporting system for a minimum of two years. Real-time authorization detail is available for seven days from the date of the transactions.</p>
2.32	<p>Detail the process of billing the State or the University net of Federal Fuel tax or State taxes which the State or University is exempt.</p>
	<p>Response: We process Federal fuel excise tax exemptions for all state and local government entities that qualify for Federal tax exemptions on fuel products of gas, diesel, aviation gas and kerosene.</p> <p>In states in which we are a registered Ultimate Vendor, we process State excise tax exemptions the same way we process Federal fuel tax exemptions. In states where we are not a registered Ultimate Vendor, we can process applicable state fuel excise tax exemptions through agreements with the oil companies/processors where allowed by law.</p>
2.33	<p>Detail the process if the State or the University receives an invoice that includes Federal fuel tax in error. Include if short paying an invoice is an option and what documentation would be required.</p>
	<p>Response: U.S. Bank Voyager is legally able to take the position as the Ultimate Vendor on Federal gas and diesel tax exemptions only. This means that if a Voyager entity/customer is exempted from Federal gas or diesel, Voyager will exempt those taxes automatically and net them from the customer's billing statement without any involvement from the merchant.</p> <p>U.S. Bank Voyager is not legally able to take that same position as the Ultimate Vendor on any state tax exemptions, which leaves the responsibility to the merchant. Voyager can administer the tax exemption via the Voyager F900 mainframe and billing system but cannot fund the exemption. Voyager can only administer these calculations for our customers, if given permission by the merchant via a merchant update file sent to Voyager weekly by the participant. The merchant has the right to choose to participate in the tax-exempt program or place the responsibility back on the customer.</p> <p>The following information is contained in this weekly site file: participant identifier code, merchant name, merchant ID number, merchant address with city, state and ZIP code and merchant tax indicators. Those indicators include the following tax types: state motor fuel excise, state diesel, state secondary motor fuel and state sales tax. If these fields contain a "Y" then this gives Voyager the permission to calculate the tax exemption that pertains to the customer using that individual location. If the field contains an "N" this means Voyager will pass the transaction through the system with tax included, putting the responsibility back on the customer for obtaining the refund.</p> <p>Customers have the right to use another location that participates in the tax-exempt program. U.S. Bank Voyager can explain the process to the merchant, if confused and reported by the customer. However, U.S. Bank Voyager will not be responsible for calling merchants that do not currently participate to get them to join.</p>



	<p>To further clarify, some merchants that use an independent processor for communication of their transactions to Voyager will not have the capability of supporting this because of restrictions of passing the data by the processor. Some participants just choose not to participate.</p> <p>Please also note that once a transaction has posted to our mainframe, Voyager is unable to charge the tax-exempt amount back. We can adjust the indicators moving forward, if given permission by the merchant only.</p>
	SOFTWARE & REPORTING
2.34	Describe how often software updates are implemented and how it is communicated to the customer.
	<p>Response: We are committed to investing in our technologies and systems. We actively seek feedback from clients on a regular basis to identify ways to increase productivity, efficiency and usability of our systems. Enhancements are based on client feedback and reviewed and prioritized by an internal review group. It is our goal to provide our clients with the most user-friendly, intuitive product and system functionality in the industry.</p> <p>Software updates are completed six times a year after hours and with no outages; additionally, the update content/information is communicated either via your Relationship Manager, Mark Hess, through an email communication, and/or notices posted directly in our Voyager Portal.</p>
2.35	Detail how program administrators as well as the bidder can unlock cards.
	<p>Response: Yes, administrators can call Customer Service or may unlock cards using the Override Authorization Limits feature in the Voyager Portal.</p>
2.36	Detail how the billing cycle close date is chosen.
	<p>Response: We offer billing cycle dates on any day of the month. Payments are due within 25 days of the statement date.</p>
2.37	Detail all card activation options available.
	<p>Response: There is no activation process is required for U.S. Bank Voyager Fleet Cards. your cardholders will receive active cards that will require either a PIN, driver ID or vehicle ID to make a purchase.</p> <p>U.S. Bank Voyager Mastercard requires activation of the Mastercard PAN, which can be performed via the IVR or in the Voyager online portal at voyager.usbank.com.</p>
2.38	Detail the timeline when a transaction is attempted and declined on a cancelled card.
	<p>Response: Transactions attempted on canceled cards are declined in real time when they are attempted at the point of sale.</p>
2.39	Detail formats available to upload information into the Fleet Management Systems, including card changes and fuel transactions.
	<p>Response: We will work closely with you to meet your requirements for transaction data transmission. We have successfully integrated our solutions with all major fleet management systems.</p> <p>We will deliver transaction files to your Voyager portal secure inbox or via secure FTP. In addition to standard ASCII or Excel files, you can set up custom transaction reports and schedule daily, weekly, bimonthly or monthly file delivery. Custom reports are available in PDF, Excel, CSV and Tab Delimited formats. The Voyager portal does not support client uploads to our system.</p> <p>In addition to the above, we also have Voyager APIs to provide visibility into your fleet program by helping you better manage your drivers and vehicles. With U.S. Bank Voyager APIs, you can increase your visibility with controls and access to real-time data.</p>



	<ul style="list-style-type: none"> ▪ Voyager Transaction API—Fleets can get real-time transaction updates from authorization to payment for all fuel, maintenance and service purchases. This information can then be integrated with other details including those from telematics and other fleet management systems, giving you powerful and actionable insights into your fleet operations. ▪ Voyager Account Management API—Allows fleets to directly manage accounts in real-time instead of waiting for daily batch files to run or taking the time to contact customer service. Fleets can integrate the API into your own system, such as Customer Relationship Management (CRM) or Fleet Management applications, to perform card controls, including canceling and suspending cards in real-time. 																				
2.40	Detail report options available to monitor fuel usage. Provide examples and a description of the data included.																				
	<p>Response: Comprehensive reporting contributes to effective program management and cost savings. With our industry-leading fleet management and reporting tools, you can transform raw transaction data into business intelligence for compliance management, cost reduction efforts and strategic planning. Users can export reports in convenient file formats including XLS, HTML, PDF, CSV and tab-delimited text files.</p> <table border="1" data-bbox="269 768 1417 1879"> <thead> <tr> <th colspan="2" data-bbox="269 768 1417 831" style="background-color: #002060; color: white; text-align: center;">Voyager Reports</th> </tr> <tr> <th colspan="2" data-bbox="269 831 1417 888" style="background-color: #0070C0; color: white; text-align: center;">Inventory Reports</th> </tr> </thead> <tbody> <tr> <td colspan="2" data-bbox="269 888 1417 957">Inventory reports allow Fleet Administrators to assemble real-time information regarding individual card, vehicle and driver.</td> </tr> <tr> <td data-bbox="269 957 662 1215">Card, vehicle and driver reports</td> <td data-bbox="662 957 1417 1215">For each report, users can select to filter the report to include only cards, vehicles or drivers associated with one or more specific accounts or one or more specific organization level positions. 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	include all transactions or filter the transactions by account or organizational levels, day parameters (today, yesterday), time ranges, user codes or invoice number.
Transactions by Vehicle	Delivers transaction information associated with specific vehicles in your program. You can use this report to monitor and manage the card usage for the vehicles in your program, and to see which vehicles are used heavily and which have few transactions. You can also use this report to find out which vehicles have a high number of specific transaction types (e.g., a high number of pattern discrepancies between time/day).
Transactions by Driver	Delivers transaction information associated with specific drivers in your program. You can use this report to monitor and manage the card usage for the drivers in your program, to see which drivers are heavy and light users or to find specific transaction types by driver (e.g., drivers with a high number of estimated odometer transactions, drivers who may have purchased food or super unleaded fuel).
IFTA filing	Helps you meet International Fuel Tax Agreement (IFTA) filing requirements for quarterly or annual fuel-tax reporting.
Management Reports	
Management reports help Fleet Administrators spot misuse and evaluate transaction trends, including non-fuel purchases, high number of gallons, highest number of transactions, multiple purchases per day and purchase methods. Fleet Administrators can also run Card Expiration Reports and create summary reports to identify overall spending trends.	
Top Dollars by Merchant	Allows users to actively manage your key supplier relationships for maximum program value. Users can include all transactions or filter the transactions by account or organizational levels, date parameters (e.g., last month), date ranges, product types and categories and seven ways the transaction was recorded (e.g., at pump, inside, etc.). The report can be sorted by merchant type and restrict the number of merchant results shown, total dollars, units (gallons) or transactions, with transactions over, under or between specific dollar amounts.
Fuel Economy by Vehicle ID	Shows total miles driven and total gallons used by vehicle ID and calculates miles per gallon and cost per mile for each vehicle. Users can include all transactions or filter the transactions by account or organizational levels, vehicles, date parameters (e.g., last month) and date ranges. It can be sorted by vehicle ID, vehicle description, card ID or MPG. It also can provide subtotals by account and/or organizational levels.
Cards with High Dollars for Non-maintenance Transactions	Provides a clear picture of card use by showing the cards with a large volume of non-maintenance transactions, filtered by your unique specifications (e.g., more than \$1,000, more than 10 transactions per day, only non-fuel products). Fleet Administrators can use this report to see large or unusual fuel transactions that need further review.
Cards with High Gallons	Provides information about the top 100 cards that have a high gallon volume. The report is in summary form with the gallon volume of the cards in descending order. The report allows the user to drill down to see the transactions that made up the total gallon volume on the card. With this information, users can identify high-use cards to assist with program management.
Cards with Non-fuel Purchases	Enables you to identify the top 100 cards with the highest number of non-fuel purchases. This report is shown in summary form but includes a drill down function to show the transaction detail. Fleet Administrators can use



	<p>this report to identify drivers that have purchased a large number of non-fuel products.</p>
<p>Cards with Highest Number of Transactions</p>	<p>Identifies the top cards that have the highest number of transactions, in both summary format and with transaction detail available. This report is helpful in identifying possible unusual spending patterns within a fleet.</p>
<p>Cards with Multiple Purchases per Day</p>	<p>Lists cards that have multiple purchases per day. With this information, users can identify potential card misuse such as back-to-back transactions or other situations where multiple purchases are out of the ordinary.</p>
<p>Cards by Purchase Method</p>	<p>Shows the top 500 merchants where cards are used. The report is sorted by the number of transactions at a merchant location along with the card entry method (e.g., inside electronic, inside keyed, at the pump, manual, inside electronic offline, inside keyed offline, in house transaction).</p>
<p>Fuel Economy by Vehicle ID</p>	<p>Allows you to monitor fuel economy for the vehicles in your program. This report shows total miles driven and total gallons used by vehicle ID and calculates miles per gallon and cost per mile for each vehicle. Users can include all transactions or filter the transactions by account or organizational levels, vehicles and date parameters and date ranges. It can be sorted by vehicle ID, vehicle description, card ID or MPG. It also can provide subtotals by account and/or organizational levels.</p>
<p>Fuel Economy by Vehicle Description</p>	<p>Allows you to monitor fuel economy for the vehicles (summarized by make and model) in your program. With this information, you can manage and improve the economic and environmental impact of your program. This report shows total miles driven and total gallons used by vehicle description and calculates miles per gallon and cost per mile for each vehicle. Users can include all transactions or filter the transactions by account or organizational levels, vehicles, date parameters (last month) and date ranges. It can be sorted by vehicle description or MPG and can provide subtotals by account and/or organizational levels.</p>
<p>Organization Summary</p>	<p>Provides a high-level overview of your fleet program. From the high-level summary, you can drill down into the organization level summaries. The Voyager portal allows you to create graphs at any level of detail for this report. With this information, you can keep track of the scope of your program by organization level.</p>
<p>Vehicle Cost Analysis</p>	<p>Provides a detailed picture of the cost of each vehicle in your program. With this information, you can monitor program expenses and improve cost management. This report shows total dollars for fuel and non-fuel transactions, total number of transactions, total gallons/units, total miles driven and total dollars by vehicle ID. This report also calculates miles per gallon and cost per mile for each vehicle. Users can include all transactions or filter the transactions by account or organizational levels, vehicles, date parameters, date ranges and specific products.</p>
<p>Statistical Summary</p>	<p>Provides summary reporting by fiscal quarter at an account or organization level. The report shows fuel sales, non-fuel sales, fuel transactions, non-fuel transactions, miscellaneous charges, number of active cards, new cards issues, replacement cards issued, cancelled cards, lost/stolen cards, total cards and fees assessed.</p>
<p>Summary Quarterly Merchant</p>	<p>Allows users to generate summary merchant reports by products purchased, ranked merchant spend by fiscal year end dollars or total spend by merchant by quarter. These reports can be run for accounts or organizations that share the same fiscal year end period.</p>
<p>Exception Reports</p>	



<p>the State can designate alerts to monitor program compliance. Exception reports highlight card use that falls outside of your requirements. Using these reports, Fleet Administrators can quickly identify and address potential employee misuse.</p>	
Percent of Limit	Shows current limit dollar use and percentage use. You can adjust card limits, monitor cards usage and/or make other program adjustments.
Transaction Exception	Use to identify accounts and transactions that meet one or more selected exception parameters. With this information, Fleet Administrators can monitor card usage and adjust the program as needed.
Declined Transactions	Shows transactions that were declined for selected organizations or accounts. The report displays declined transactions that occurred within the past seven days, and details the declined reason, card and merchant information.
<p>User Activity Reports</p>	
<p>This group of reports generates a log of changes made to your program. Fleet Administrators can view changes to cards, drivers, vehicles and purchase orders. Reports include the item changed, what was changed, when and by whom.</p>	
User Activity by Account	<p>Lists the users and their changes made to cards, vehicles, drivers and purchase orders by organization or account for a specified timeframe. Users can include all transactions or filter the transactions by account or organizational levels, date parameters, date ranges and time ranges. The report can show all action parameters or filter on the following action parameters:</p> <ul style="list-style-type: none"> ▪ Card actions—Create and edit cards tied to driver, vehicle, single untied cards, set card to lost or stolen, replace card, cancel card, reactivate card, edit card authorization limits/temporary authorization limits, set authorization bypass, reset authorization bypass and clear prompt counter. ▪ Card address actions—Add, edit, and delete a card address. ▪ Vehicle actions—Create, edit, activate or terminate vehicle and edit vehicle authorization limits/temporary limits. ▪ Driver actions—Create, edit, activate or terminate driver and edit driver authorization limits/temporary limits. ▪ Purchase order actions—Create, edit and close purchase orders. ▪ Account actions—Edit account authorization limits restrict list, edit state restrict list, edit postal code restrict list, edit merchant restrict list and edit sales type code restrict list. ▪ Profile actions—Create, edit and delete profile and edit profile authorization limits. ▪ Activity by user ID—Lists all changes made to card, vehicle, driver and purchase orders for a specific user over a specified period; requires a specific user and can be filtered by date parameters including time periods, date ranges and time ranges.
User Activity by Asset	<p>Lists the users and their changes made to a specific card, vehicle, driver, purchase order or profile for a specified organization or account over a specified time period. Users can include all transactions or filter the transactions by account or organizational levels, date parameters, date ranges and time ranges and the following types of actions:</p> <ul style="list-style-type: none"> ▪ Create card tied to driver, vehicle or single untied.



	<ul style="list-style-type: none"> ▪ Edit card tied to driver, vehicle or single untied. ▪ Lost or stolen card, replace card, cancel card and reactivate card. ▪ Edit card authorization limits/temporary limits, set authorization bypass, reset authorization bypass and clear prompt counter.
User Management	<p>Lists all user management changes made for a specific user over a specified period. The report requires a that a specific user is selected, and can be filtered by date parameters including time periods or date range and the following types of activities:</p> <ul style="list-style-type: none"> ▪ Reset password, create user, activate user, unlock user, disable user and remove user. ▪ Edit contact information, edit login information. ▪ Add data entitlement, remove data entitlement. ▪ Add permission group and remove permission group. ▪ Add email notification, remove email notification and edit customized field.
User Session	<p>Lists all user activities performed for a specific user over a specified period. It requires the selection of a specific user and can be filtered by date parameters including time periods or date range and the following types of activities: account maintenance, reporting, billing, user management and profile management.</p>
Billing Reports	
Billing reports provide information on all program transactions including any payments and adjustments.	
Invoice report	Shows transaction details by card with subtotals on transaction amount and exempted taxes. The report can show all transactions or be filtered by account, organization and card date parameters including time periods (last day, current month, etc.) or date range.
View statement	Allows users to print or export billing invoices in PDF or Excel. The current year and prior two years billing invoices are retained in the system.
Invoice statement status report	Shows payment status on outstanding billing statements/invoices and contains references to help identify charges, including Invoice Number.
Delinquency report	Shows billing amounts, exposure and amounts that are delinquent.
Please refer to Proposal Exhibit 5, Sample Reports PROPRIETARY INFORMATION for more details regarding the reports available to the State.	
2.41	Describe how reports can be requested and customized, include the average wait time before reports are available.
	<p>Response:</p> <p>Comprehensive reporting contributes to effective program management and cost savings. With our industry-leading Voyager portal reporting tools, you can transform raw transaction data into business intelligence for compliance management, cost reduction efforts and strategic planning. Users can export reports in convenient file formats including Excel, HTML, PDF, CSV and tab-delimited text files. Reports created in the Voyager portal are available in real-time.</p> <p>Report categories include inventory, transaction, management, exception, real-time activity, purchase alerts, user activity and billing. Reports can be modified, adding fields and modifying sort options. Typically, users start with one of our standard reports and modify it, saving it as a name they wish to use. Once saved, a report can be run at any time. Users can also create</p>



	<p>customized reports by using ad hoc reporting tools that allow the user to control what information goes into a report and how the system sorts the information.</p> <p>Any ad hoc query reports can also be scheduled. The parameters include a start and end date with daily, weekly, monthly and quarterly frequency settings and report formats in Excel, PDF, CSV and tab-delimited, with email notification when the report is ready or when only data is available. These reports can also be shared with other Voyager users in the company and/or restricted to data for each department/hierarchical level for individual review.</p> <p>Users can access 24 to 36 months of data. At the end of each year, we move the oldest 12 months of data offline. Data is stored offline for an additional 48 months (84 months total) and is available upon request.</p> <p>The Voyager portal system allows a user to run a transaction report for a 24-month time frame. Users can request a special query from your U.S. Bank team at no additional expense for time frames greater than 24 months.</p> <p>Customized reports can also be requested by contacting customer service. Emailed requests are typically completed in 24 – 48 hours depending on the size and type of request. Larger and more complex requests may take additional time to complete.</p> <p>For more detailed information regarding the reports available please refer to our answer to Question 2.40 above and Proposal Exhibit 5, Sample Reports PROPRIETARY INFORMATION.</p>
2.42	<p>Exhibit 9 lists level III data that is required to be captured and reported on all transactions. Can the bidder comply with this list? What additional data is captured?</p>
	<p>Response:</p> <p>U.S. Bank Voyager does not enter into a card acceptance agreement with a merchant unless it is able to provide Level III data. Furthermore, we have worked closely with oil companies and independent merchant processors to continue to enhance the merchants' ability to provide Level III data.</p> <p>Please refer to Proposal Exhibit 3, Fleet Data Elements for a list of data elements that can be captured and tied to a single transaction within our system.</p> <p>U.S. Bank Voyager Mastercard gains the Level III data, as stated above, for all Voyager transactions. Mastercard network merchants are not mandated to provide this level of detail. the State should expect more than 90% of fuel transactions to contain Level III data; we receive less than 50% of Level III data for non-fuel and foreign transactions.</p> <p>We currently receive 100% of all transactions electronically and will provide electronic and online reporting options to you based on your unique needs. We contractually require Level III data processing by all merchants. Mastercard does not require anything beyond Level I; therefore, data captured beyond Level I will vary by merchant.</p> <p>The following data elements are provided at the level indicated:</p> <p>Level I</p> <ul style="list-style-type: none"> ▪ Merchant Name ▪ Merchant Street Address ▪ Merchant City, State, ZIP ▪ Purchase Date and Time ▪ Total Purchase Amount



	<ul style="list-style-type: none"> ▪ Card Number <p>Level II</p> <ul style="list-style-type: none"> ▪ Vehicle ID/Driver ID ▪ Sales Tax <p>Level III</p> <ul style="list-style-type: none"> ▪ Line Item Detail ▪ Fuel Grade ▪ Cost per Gallon ▪ Number of Gallons <p>Enhanced</p> <ul style="list-style-type: none"> ▪ Odometer ▪ Personal Driver Identification Number ▪ Vehicle Identification Number ▪ PIN <p>The following table is what is included for Mastercard data levels.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #003366; color: white;"> <th style="width: 33%;">Level I</th> <th style="width: 33%;">Level II</th> <th style="width: 33%;">Level III</th> </tr> </thead> <tbody> <tr> <td>Purchase Amount</td> <td>Merchant Category Code (MCC)</td> <td>Driver or Vehicle ID</td> </tr> <tr> <td>Authorization Reference Number</td> <td>Sales Tax</td> <td>Odometer</td> </tr> <tr> <td>Transaction Date</td> <td>Item Description</td> <td></td> </tr> <tr> <td>Posting Date</td> <td>Item Product Code</td> <td></td> </tr> <tr> <td>Supplier Name</td> <td>Unit Cost</td> <td></td> </tr> <tr> <td>Supplier Location</td> <td>Quantity of Gallons</td> <td></td> </tr> <tr> <td></td> <td>Unit of Measure</td> <td></td> </tr> </tbody> </table>	Level I	Level II	Level III	Purchase Amount	Merchant Category Code (MCC)	Driver or Vehicle ID	Authorization Reference Number	Sales Tax	Odometer	Transaction Date	Item Description		Posting Date	Item Product Code		Supplier Name	Unit Cost		Supplier Location	Quantity of Gallons			Unit of Measure	
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2.43	<p>Detail how transactions are processed from vendors that are not part of your network.</p> <p>Response: U.S. Bank does not have the ability to process transactions from merchants that are not a part of our network. However, our current network has more than 320,000 private fueling sites, truck stops, electric vehicle charging stations, maintenance providers and service locations available to your drivers and continue to increase our locations on the Voyager Network accepting the Voyager Fleet Card and Voyager Mastercard.</p> <p>For more information on merchants within the Voyager Network and how to locate a merchant near you, please refer to our response to Question 2.20 above.</p>																								
2.44	<p>The State and awarded bidder must keep historical information for three (3) years after the contract expires. Detail how the bidder will comply.</p> <p>Response: Yes, historical data is available offline for seven years after the expiration of the contract.</p>																								
2.45	<p>Detail the electronic file types that you will accept for the State and University’s vehicle data. Example: Excel, CSV, text files, etc.</p> <p>Response: U.S. Bank will work closely with the State of Nebraska to meet your requirements for transaction data transmission. The Voyager portal allows users to download reports and other program files</p>																								



	as Excel spreadsheets, ASCII files, CSV or PDF files. The Voyager portal does not support client uploads to our system.
2.46	Detail how the software can provide an electronic authorization of a transaction through a point of sales device linked to the primary card provider.
	Response: We adhere to standard authorization procedures. Transactions that violate the restrictions established by the authorization controls will be declined at the point of sale. Authorization support is provided 24/7. Our authorization system is a dual system and has a backup system in place should the normal authorization system become inoperable. All electronic sales will be authorized online (real-time) against our positive file.
	CUSTOMER SERVICE
2.47	Detail the customer service operational hours and if bidder can comply with providing a toll-free number.
	Response: U.S. Bank Voyager Fleet Card Program Customer Service Representatives are available to assist the State with any account issues 24/7. Because our toll-free number is listed on the back of every card issued, you can take comfort in knowing that your drivers have 24/7 access to live Customer Service Representatives for all emergency authorization and roadside assistance needs. Other services available by dialing our toll-free number are: <ul style="list-style-type: none"> ▪ 24/7 fuel and maintenance authorization ▪ 24/7 emergency roadside assistance (out of gas, lock outs, tire repair, towing, etc.) ▪ 24/7 assistance for locating fuel and maintenance locations ▪ 24/7 driver support (how to use the card, assistance with over-the-limit transactions, fuel and maintenance rules, etc.) ▪ Between the hours of 7 a.m. and 7 p.m. CT, our Customer Service provides: <ul style="list-style-type: none"> • Full account maintenance (card, vehicle, driver, billing, limit requests, etc.) • Transaction dispute resolution assistance • Technical support <p>The Voyager portal also provides 24/7 access and support for online account maintenance, reporting and billing information.</p>
2.48	Detail how an authorized driver can get a card unlocked while traveling.
	Response: Yes, drivers are able to call the customer service number listed on the back of their card for a one time override. However, the State's fleet manager would need to unlock the card in the Voyager portal or request through Customer Service.
2.49	Detail any road assistance program available with this contract.
	Response: Our solution offers roadside assistance with an immediate response by contacting Customer Service. Through our alliance with the National Automobile Club (NAC), drivers receive quick, courteous and cost-effective roadside services 24/7/365 in the U.S., Canada and Puerto Rico. Voyager's nationwide roadside assistance program covers tire changes, jump starts, fuel delivery, lockouts, towing and winching/recovery services for all vehicle classes. The professionally vetted and managed service provider network is held to the highest service standards with average response times of less than 60 minutes. Using the latest technology, service requests are answered within 40 seconds, dispatched in less than 10 minutes and monitored until service arrives, followed by a voluntary customer service survey. NAC's customized programs can coordinate with the State's preferred maintenance network and systems. Impound support is available through a customer portal along with receipt requests and management reporting.



	<p>NAC has been a trusted nationwide roadside assistance partner to government and commercial fleets of all sizes, servicing all vehicle classes. With 95 years of experience and an extensive service network, they support over 30 State governments and several large Federal agencies.</p> <p>Any additional merchant road services can be billed to the State through your Voyager account. Response times are determined by NAC.</p>
<p>OTHER INFORMATION</p>	
<p>2.50</p>	<p>Detail any training available on the operation of the software.</p>
	<p>Response: Our comprehensive training tools and resources are designed to give your Fleet Administrators the knowledge they need to effectively use the Voyager platform.</p> <p>Experienced adult-learning professionals who understand the needs of our clients have developed our training tools and resources based on proven best-practices. The types of training resources we offer include:</p> <p>Interactive content Self-paced lessons, available 24/7 on our web-based training site, offer step-by-step instruction, self-evaluation and certification:</p> <ul style="list-style-type: none"> ▪ Getting Started ▪ Introduction and Key Concepts ▪ My Profile ▪ Enhance Security Authentication ▪ Card Creation ▪ Driver Creation ▪ Vehicle Creation ▪ Report Creation ▪ Account and Organization Authorization Limits ▪ Accounts and Organization Search ▪ Transaction Management ▪ Data Analytics ▪ Online Payments ▪ Transaction Disputes ▪ Use Your Voyager Mastercard and Voyager Fleet Card ▪ Maintenance Solution Business Rules ▪ Maintenance Solution Auto Integrate Fleet Manager Tasks ▪ Maintenance Solution Voyager Fleet Manager Tasks <p>Written documentation More than two dozen specific step-by-step instructions in comprehensive user guides and easy-to-use quick reference guides to help Fleet Administrators perform their jobs.</p> <p>Live instructor-led virtual training Fleet Administrators can register for a live, virtual orientation via a link within the web-based training website. The class runs for approximately 90 minutes and covers Fleet Administrator tasks, including these topics:</p> <ul style="list-style-type: none"> ▪ Explain how accounts are tied ▪ Find hierarchies to associate ▪ Navigate the system ▪ View and update your profile ▪ Search for accounts and organizations ▪ View statements ▪ Access Message Center ▪ Be aware of the mobile apps



	<ul style="list-style-type: none"> ▪ Find resources ▪ Explain reporting, including create, save, run and schedule reports
2.51	Detail if training materials will be available and the method to obtain them.
	<p>Response: Training will play a central role in the success of your program, both in terms of the level of customer satisfaction attained and the program’s potential for growth. We provide a comprehensive program that includes multiple training opportunities for Fleet Managers, including online web-based training and live, regularly scheduled virtual instructor-led orientation sessions. Additional classes can be facilitated, and appropriate resources made available, if needed.</p> <p>These training delivery options allow users to create customized learning experiences that meet their unique learning styles and needs. Available resources include interactive lessons, user guides, quick references and a comprehensive certification exam. All of this will be provided to the State at no cost.</p> <p>A monthly online instructor-led orientation session allows users to:</p> <ul style="list-style-type: none"> ▪ Ask questions during the session—Users can engage the instructor with real-time questions to clarify a point or delve into a topic to understand how it applies to their specific needs and business situation. ▪ View the solution—Users can watch the instructor complete processes to gain an overall understanding of the process, and potentially learn from other customers in the class, as well. <p>The web-based training allows users to:</p> <ul style="list-style-type: none"> ▪ Create a self-paced, self-directed learning experience—Users can take as little as 10 minutes to learn a simple process or refresh their memories. ▪ Test their knowledge—Users can complete an in-depth certification exam to prove their knowledge of tasks applicable to their role in the system. ▪ Access training at their convenience—Users can complete training sessions on their own schedule 24/7 and can access the web-based training from any computer with internet access. ▪ Download and save user guides—Users can download and save user guides for easy reference later. <p>Training curriculum</p> <p>We will work with you to identify a comprehensive training curriculum that is based on your specific needs. The curriculum may be delivered through eLearning materials, documentation, virtual instructor led sessions or some combination of all.</p> <p>Voyager platform web-based training</p> <p>The Voyager platform web-based training delivers a comprehensive and interactive customer training environment. Our self-paced, web-based training program allows users to work through the Voyager platform training at their own convenience.</p> <p>The system provides clear, screen-by-screen, step-by-step instruction on how to use the system. Overall, the training system is colorful and engaging. And because the training is structured into small, topical lessons, learners can pace their training as appropriate (or review a lesson when necessary). Certification exams allow the user to validate their understanding of the topics they have learned.</p> <p>Training provides basic steps for Fleet Managers such as:</p> <ul style="list-style-type: none"> ▪ Getting Started ▪ Online Payments



	<ul style="list-style-type: none"> ▪ Introduction and Key Concepts ▪ My Profile ▪ Enhance Security Authentication ▪ Card Creation ▪ Driver Creation ▪ Vehicle Creation ▪ Report Creation ▪ Account and Organization Authorization Limits ▪ Accounts and Organization Search ▪ Transaction Management ▪ Data Analytics <ul style="list-style-type: none"> ▪ Transaction Disputes ▪ Use Your Voyager Mastercard and Voyager Fleet Card ▪ Maintenance Solution Business Rules ▪ Maintenance Solution Auto Integrate Fleet Manager Tasks ▪ Maintenance Solution Voyager Fleet Manager Tasks <p>Help manuals</p> <p>PDF files are also available to download from the website to provide an easy-to-use reference manual that any individual can use without connecting to the internet. The following user guides are some of the examples of what is available:</p> <ul style="list-style-type: none"> ▪ Getting Started Series—Users learn some of the basic tasks in the system, from registering and logging in for the first time to updating user profile information and reading messages. ▪ Accounts and Organizations Search—Users learn how to search and select both accounts and organizations. ▪ Account and Authorization Limits—Users learn to establish and modify purchase limits by specific state, specific postal code, merchant location and type of sale. ▪ Report Creation and Scheduling—Users learn how to set reporting preferences, set report parameters, specify report order and sort preferences, run the report, download a report, drill into additional report detail, create and save customized reports, share a report with other Voyager platform users and schedule reports to run automatically. ▪ Card Creation—Users learn to create a card assigned to vehicle, driver or individual card, and how to search for and select an existing card, edit an existing card, report a lost or stolen card, replace a card, cancel a card permanently and change, add or delete a card address. ▪ Vehicle Creation—Users learn how to create a vehicle without a card, and how to edit an existing vehicle, terminate an existing vehicle and reactivate a terminated vehicle. ▪ Report Samples—Users are provided with a full range of reports that help them to analyze their vital program data to support program management and supplier relationships. Users can review the purpose of each report, along with a sample parameter screen and sample report.
2.52	<p>Describe the functional and security features of the Fleet Fuel cards. Include if they are chipped and available to tap and pay.</p>
	<p>Response:</p> <p>Chip-enabled cards feature embedded microprocessor chips that store and protect driver data to prevent certain types of fraud. These cards are more secure than traditional magnetic stripe cards when used with chip-enabled card readers.</p> <p>The global standard for chip card payments and acceptance is known as EMV (Europay, Mastercard and Visa) technology, but the cards are more commonly described as “chip cards” or “chip-enabled cards.”</p>



	<p>Chip cards are highly resistant to counterfeit card fraud when used with chip-enabled point-of-sale systems. U.S. Bank Voyager is adopting them because enhancing security and protecting your information is one of our top priorities.</p> <p>Chip cards can help reduce certain types of fraud. The primary benefit of a chip card is a dramatic reduction in counterfeit fraud at chip-enabled point-of-sale systems (also known as “card-present fraud”). For drivers, the chip card provides:</p> <ul style="list-style-type: none"> ▪ Enhanced security for in-person (“card present”) transactions when used with chip-card-compatible terminals. ▪ A stronger authentication method that helps protect account information.
<p>2.53</p>	<p>Describe where the Fleet Fuel cards are accepted. If available, provide online access to all locations in Nebraska and throughout the United States.</p>
	<p>Response:</p> <p>Your cardholders have access to more than 320,000 major and regional fuel and maintenance locations in all 50 states and Puerto Rico, with new sites added daily. Drivers can experience seamless transactions at private fueling sites, truck stops, electric vehicle charging stations, maintenance providers and service locations. Of those merchants, approximately 180,000 are fuel merchants, which represent 97% of all accepting fuel merchants in the United States.</p> <p>The Voyager Mobile App allows drivers to pinpoint fueling locations, current price and routing with their smartphones or tablets. It includes filtering by fuel type and amenities such as car washes, pay at the pump, space for oversized vehicles and maintenance service capabilities. Drivers can use the hands-free audio feature that announces information, allowing them to remain focused on the road.</p> <p>We have established strategic relationships with all the major oil companies and regional fueling locations across the United States, including but not limited to:</p> <p>Fueling locations</p>



Maintenance locations



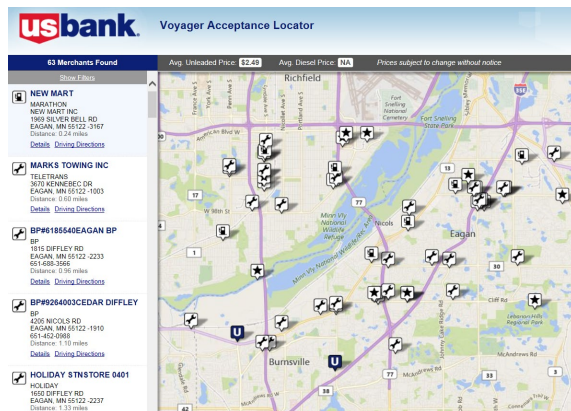
*Voyager Maintenance Solution acceptance location
 **Implementing Voyager Maintenance Solution acceptance

Voyager collaborated with Mastercard to expand our acceptance network to include approximately 168,000 fueling and 416,000 maintenance locations. The Mastercard alliance also expands acceptance to travel merchants (hotels, dining, car rental, etc.). This on-demand capability offers flexibility to over the road and cross-border drivers as well as handling unexpected or emergency expenses, such as an overnight stay while a vehicle is repaired or for a fuel transaction across the border in Canada or Mexico.

The Voyager Acceptance Locator is a web-based or mobile tool that provides card users with detailed merchant and service information for all locations on the Voyager Network accepting the Voyager Fleet Card. In addition to pinpointing locations, the locator identifies the average fuel price in the search area as well as the lowest cost fuel providers.

The Voyager Acceptance Locator pinpoints the merchant's location, fuel prices and other information based on the user's search criteria and generates an interactive map that offers driving directions and compares merchant locations to the average fuel price in the search area.

The Voyager Acceptance Locator may be accessed at:
<https://www.fleetcommanderonline.com/app/public/merchantLocator.do>





2.54	Describe the electronic access available to the online system for customer testing during all phases of the implementation process.
	<p>Response: As an existing customer, the State can access the Voyager portal to test the functionality in the system utilizing your own data.</p>
2.55	Describe who is liable for any transaction after the card has been canceled in the software.
	<p>Response: The State is not liable for any unauthorized transactions that occur after reporting a card as lost or stolen. We will work closely with you to quickly identify and eliminate employee abuse and fraud by providing customized internet analytical tools.</p> <p>Well-documented, broadly published policies and procedures are your best defense against cardholder misuse. We will assist you with establishing effective documentation. We also offer several reports to help you quickly identify internal misuse. Management reports help Fleet Administrators spot misuse and evaluate transaction trends. You can also generate exception reports to monitor program compliance. Exception reports highlight card use that falls outside of your requirements.</p>
2.56	Detail any external fraud protection or fraud training available.
	<p>The State may not be liable for unauthorized purchases made on a lost or stolen card, provided that the card is reported via telephone or online portal to U.S. Bank as lost or stolen and canceled immediately.</p> <p>Fraud detection and protection U.S. Bank Voyager Fleet Card clients have the support of comprehensive fraud prevention and investigative services. Complete fraud life-cycle support includes:</p> <p>Account monitoring and notification</p> <ul style="list-style-type: none"> ▪ Dedicated fraud team working to identify trends and eliminate repeat fraud ▪ Near and real-time card fuel usage discrepancy blocking ▪ Real-time fraud rules engine ▪ Continuous transaction trend analysis ▪ Outbound calls to the State to verify activity <p>Detection strategies</p> <ul style="list-style-type: none"> ▪ Real-time behavior-based detection tool: <ul style="list-style-type: none"> • Unique to Voyager at U.S. Bank • Specific to the fleet industry • Risk identification point scores • Uses historical behavior learned by the system and rules based on analysis of previous confirmed fraud cases ▪ Case management/analytics ▪ Comprehensive reporting ▪ Standard industry best practices <p>Customized risk management</p> <ul style="list-style-type: none"> ▪ Account setup and maintenance policies ▪ Appropriate card controls



	<ul style="list-style-type: none"> ▪ Transactions restricted to fuel and maintenance locations <p>Comprehensive investigation</p> <ul style="list-style-type: none"> ▪ Complete online transaction history for each account and organization ▪ Sales receipts ▪ Onsite merchant cameras ▪ Coordination with local, state and Federal enforcement agencies <p>Real-time purchase alerts</p> <p>The Voyager portal has a robust alert feature allowing for timely notification of purchases that fall outside of the designated purchase criteria established by your Fleet Administrators. Purchase alerts can be sent to designated users by text message, email or the Voyager portal Message Center, when purchases are made that exceed specified criteria.</p> <ul style="list-style-type: none"> ▪ The user can create as many purchase alerts as they wish by giving them unique names. Once saved, alerts can be set to active or inactive, and easily used by activating the alert with a mouse click. ▪ The user then selects if the purchase alert is ongoing or temporary along with the method of delivery and the appropriate mobile number, email address or both. ▪ The alert can be run for all accounts, group of accounts or single account, by all organizational levels, group of organization levels or a single organization level. ▪ The alert can be set up for all, a group, specific cards, vehicles or driver IDs, with action code parameters for all or specific decline parameters, with a dollar and/or transaction high limit setting, during specific day(s) of week, time of day or none, for all, group, individual states, specific product category or none, tank capacity or none and invalid vehicle product type or none. The action codes set up in the system are: <ul style="list-style-type: none"> • All transactions, all approved transactions and all declined transactions. • Declined transactions based on card locked, exceeds dollar amount, exceeds transaction amount, expired card, invalid ID, invalid restriction code, merchant not allowed, odometer not valid, pay at pump not allowed, day of week restriction and time of day restriction.
2.57	Detail the dispute process. Include how this can be submitted online.
	<p>Response: We will work with the State to resolve disputed transactions. Please note that you are not liable for any transactions that occur after the State has notified U.S. Bank of a lost or stolen card.</p> <p>Dispute initiation</p> <p>Fleet Administrators can initiate disputes through the Voyager portal, by calling our Customer Service Center or by emailing the disputes team directly. Within the Voyager portal, a charge can be disputed by clicking on the invoice number on the Transaction Detail report and clicking “Dispute Transaction” on the following page or via the Maintain Transactions screen. If the charge occurred more than 90 days earlier, the Fleet Administrator cannot dispute the charge online and will need to call the Customer Service Center.</p> <p>Dispute management</p> <p>Once the Fleet Administrator files the dispute claim, an automated email will be sent to confirm receipt of the claim. The dispute status can then be viewed and tracked within the Voyager portal, as well as the dispute history and supporting documentation.</p> <p>Dispute resolution</p> <p>Dispute resolution follows these steps:</p>



	<ul style="list-style-type: none"> ▪ The State initiates a dispute via the Voyager portal, by calling our Customer Service Center or by emailing the disputes team directly. ▪ A U.S. Bank Customer Service Representative researches the disputed transaction. ▪ If necessary, we order a copy of the disputed transaction. Merchants have up to 30 days to provide proof of transaction. If the merchant cannot provide proof of transaction, it is subject to chargeback. ▪ We receive a copy of the disputed transaction and forward it to you within two business days of receipt to verify whether the charge is valid. ▪ If the transaction meets our transaction reversal parameters, the amount will be charged back to the merchant. ▪ If the transaction contains incorrect product information or incorrect taxes, we will work with the merchant to resolve the dispute. This process depends on a response from the merchant. We will report any product code errors to the merchant within two business days of notification of a product code error. <p>Dispute billing</p> <p>You should pay your fleet card bill in full. If a dispute is resolved in your favor, we will credit your account for the full transaction amount.</p>
2.58	The State and University requires that the Fleet Fuel card providers system must have redundant systems in place to ensure continual uptime for all functionality in the event, man-made or natural events take place. Detail what redundant systems are in place.
	<p>Response:</p> <p>The underlying mainframe system is closely monitored and supported by the largest, most secure technical team and environment in the fleet card industry. The technical systems support and development team includes more than 100 people dedicated to the upkeep and maintenance of the system's platforms. As a result, our performance metrics yield a 100% uptime on our transaction and authorizations processing platform because of the sophisticated systems architecture and redundancy models we use.</p> <p>Our Voyager portal averages a 99.5% availability uptime. Please note that the internet team has a scheduled maintenance window on Sundays from 2 a.m. to 7 a.m. CT that is not included in the uptime average.</p>
2.59	Detail ability to provide soft rubber/neoprene card holder key rings at no cost to the State.
	<p>Response:</p> <p>Yes, U.S. Bank has waived the cost of card hold key rings.</p>

FORM A.3
State of Nebraska Specific Functional Requirements
6819 Z1

3.1	Detail the bidder's ability to provide custom cards with graphics approved by the State.
	<p>Response:</p> <p>Logo cards</p> <p>A logo card consists of the standard card design and a one-color imprint that is applied to the card at time of embossing. This design requires three weeks to produce and a one-time setup fee of \$350 per design.</p> <p>Logo cards are available on the Voyager black card where we will add your logo to the top left portion of the card. For the vertical card style, the logo will be placed in the center right of the card. Logos are only available in white.</p>

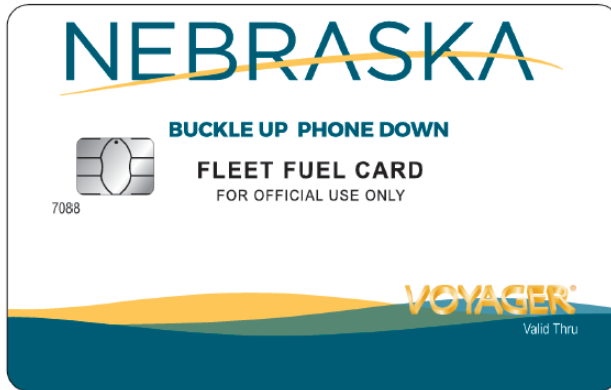


Customized card design

Should you wish to add your own logo to the card plastic, the one color “stamp” is applied during embossing in the upper right or left of the member identification area. Customized cards require a minimum order of 1,000 cards and new custom card designs cost \$5,000. The process generally takes 14 to 16 weeks for card design and production.

All custom card requests produced and issued by U.S. Bank will be constructed of laminated PVC that meets the applicable ISO/IEC specifications. Specialized printing is available (e.g., foil, metallic, pearl).

Below is the current custom card design for the State. We will continue to provide this custom card design for the State’s Voyager cards at no additional cost.



U.S. Bank Voyager Mastercard design options

Standard design

The primary advantage of choosing this design is that your cards can be produced and issued quickly. There are no additional design charges for the standard card design. We will provide the State with the standard card at no cost.



Logo cards

A logo card consists of the Standard Card design and a one-color imprint that is applied to the card at time of embossing. This design requires three weeks to produce and a one-time setup fee of \$350 per design. We will add your logo in the right portion of the card. Logos are only available in white.

Customized card design

For the fully custom cards, as we do for you today, the one color “stamp” is applied during embossing on the right of the card. Customized cards require a minimum order of 1,000 cards and new custom card designs cost \$5,000. The process generally takes 14 to 16 weeks for card design and production.



	All custom card requests produced and issued by U.S. Bank will be constructed of laminated PVC that meets the applicable ISO/IEC specifications. Specialized printing is available (e.g., foil, metallic, pearl).
3.2	Detail how the bidder will furnish all cards (new issue, replacement due to damage or loss) free using standard shipping.
	<p>Response:</p> <p>Ongoing issuance After implementation, Fleet Managers can establish new cards, drivers and vehicles using our online fleet management tools at voyager.usbank.com. All requests are processed upon receipt and fulfilled within two to three business days. Rush issuance can be completed within 24 to 48 hours.</p> <p>Card and PIN issuance We will send new cards on the following business day after the account has been approved by an authorized point of contact. The Account Coordinator Team will have provided an account profile for each new account via fax or email so that the State has all the PINs prior to receiving the cards. All new cards are issued with active PINs.</p> <p>Renewal of cards We will create an account profile for each card to assist with the renewal of cards. This will allow each account administrator to review the current setup, vehicle, driver and PIN for all cards and to make any necessary changes.</p> <p>Replacement cards Replacement cards can be conveniently ordered online. Additional options include telephone (by authorized personnel only), written request (fax or email) and electronic file. Replacement cards can be ordered the day the card is requested and can be mailed the next business day. Cards sent via USPS must allow five to seven business days for delivery. If the State would prefer that cards be sent via overnight delivery as a regular course of business, we will comply and bill the State accordingly (\$20.00 overnight fee per shipment of up to 100 cards).</p> <p>Mass card orders Mass card ordering for new accounts, vehicles, vehicle reassignments and replacement of damaged, lost and stolen cards can be made via the U.S. Bank Account Setup spreadsheet. Smaller orders can be made via phone, email, fax and online.</p> <p>Cancellation of cards Authorized personnel can cancel cards by telephone, written request (fax or email), electronic file or online at voyager.usbank.com.</p>
3.3	Currently the State uses a five (5) digit ID/PIN number. Detail how this is compatible with your system.
	<p>Response: Currently, PINs must be four to six numeric characters. Having a five-character PIN is compatible with the U.S. Bank systems.</p>
3.4	<p>Currently the State uses a vehicle or equipment card with the following information printed on the card. Detail how the bidder can comply with this method.</p> <p>Line 1 – “xxxxx xxx 4 xx 7” Line 2 – “Agency Name” Line 3 – “Tax Exempt and RC30”</p> <p>(Line 1 – First 5 numbers = equipment or PIN number Next 3 numbers = the agency number Number 4 = equipment</p>



	<p>Next 2 numbers = the issue code number Last number, 7 = check digit) (Line 3 – RC 30 = restriction code)</p>
	<p>Response: The embossing options for the Voyager Fleet cards are:</p> <ul style="list-style-type: none"> ▪ The first line can be embossed with 4 to 6 numeric digits: “Vehicle No. 123456”. ▪ The second line can be embossed up to 25 characters with the account name. ▪ The third line can be embossed up to 17 characters total. <p>As your current provider, U.S. Bank has your card embossing requirements and can continue to provide your customized cards embossed to your specifications.</p>
3.5	<p>Currently the State also uses a shop card with the following information printed on the card. Detail how the bidder can comply with this method. Line 1 – “xxxxx xxx 2 xx 9” Line 2 – “Agency Name” Line 3 – “Shop Card and RC30”</p> <p>(Line 1 – First 5 numbers = PIN number Next 3 numbers = the agency number Number 2 = equipment Next 2 numbers = the issue code number Last number, 9 = check digit) (Line 3 – RC 30 = restriction code)</p>
	<p>Response: The embossing options for the Voyager Fleet cards are:</p> <ul style="list-style-type: none"> ▪ The first line can be embossed with 4 to 6 numeric digits: “Vehicle No. 123456”. ▪ The second line can be embossed up to 25 characters with the account name. ▪ The third line can be embossed up to 17 characters total. <p>As your current provider, U.S. Bank has your card embossing requirements and can continue to provide your customized cards embossed to your specifications.</p>
3.6	<p>Currently State agency drivers (not NDOT) are allowed up to five (5) transactions and refueling sites are not included. Detail how the bidder can comply.</p>
	<p>Response: Yes, U.S. Bank can administer a transaction limit for all State drivers. This restricts the number of transactions allowed within the specified time period. It may be set by day, week, month or billing cycle, and as your current provider we already have this methodology in place.</p>
3.7	<p>Currently NDOT drivers have a soft limit of 8 transactions, extra transactions due to snow removal and refueling sites are not included. Detail how the bidder can comply.</p>
	<p>Response: Yes, U.S. Bank can administer a transaction limit for all State drivers. This restricts the number of transactions allowed within the specified time period. May be set by day, week, month or billing cycle and as your current provider we have this methodology in place for your State agency drivers.</p>
3.8	<p>Detail who will cover costs for any software enhancements, card data upload, data conversion, etc. required to make the bidder card compatible with the Nebraska State Fuel System, the Department of Transportation EKOS card and fuel management system, and Lucity Asset Management Systems.</p>
	<p>Response: U.S. Bank will be responsible for any internal updates on our systems.</p>



	Rather than paying for external software updates, U.S. Bank is offering a competitive rebate pricing structure based on the volume and timeliness of repayment of the Voyager fleet card program, and as your current provider we already have this methodology in place.
3.9	Detail how the bidder will restrict ordering approval of new or replacement cards only to the Fuel and Credit Card Systems Manager and authorized staff at the Nebraska Department of Transportation.
	Response: Yes, per the State requirements, the ordering of new or replacement cards can be restricted to certain personnel.
3.10	The State currently has different expiration dates on existing cards, detail how the bidder will stage the deployment of new cards.
	Response: Voyager Fleet Card accounts have a standard four-year expiration period; however, the flexibility of our system allows for a variety of options. U.S. Bank will consult with the State to understand your requirements for custom expiration dates.
3.11	Currently invoices are received no later than Wednesday for the prior week transactions. They are received electronically and paid within 10 business days after the file has been received. Detail all options available for the State to receive invoices.
	Response: Yes, the State is currently set up for weekly billing on Mondays. The invoice is available on the following Tuesday.
3.12	Detail how the bidder will complete the implementation and be ready to go live April 1, 2024. Including data conversion, software updates, card distribution, user training and any other requirements to make the Fleet Fuel card system fully operational. Please provide an implementation plan.
	Response: As your current provider there will be no need to implement a new program, saving the State the time and cost of implementation. However, if the State selects the Voyager Mastercard, implementation of the Mastercard program would take place at no cost to you. Please refer to Proposal Exhibit 6, Sample Implementation Plan PROPRIETARY INFORMATION for more information.



FORM A.4
University of Nebraska Specific Functional Requirements
6819 Z1

4.1	<p>In addition to the State of Nebraska, the University is exempt from sales tax in FL, IL, KS, MA, MO, ND and TX. Detail how your Fleet Fuel Card software can track these taxes and provide an invoice that does not include taxes.</p>
	<p>Response:</p> <p>As your current fleet card provider, U.S. Bank bills all tax-exempt accounts for purchases made on the Voyager Fleet Card less any applicable fuel/sales tax exemptions, allowed by law, to which they are entitled, and to which the vendors are capable of processing. Complete reporting of exempted taxes will be provided to the State and to the oil company that allows the exemption.</p> <p>All clients who are exempt from federal fuel taxes will receive their gas tax exemptions either through the U.S. Bank billing or through a refund claim process. At local, independently owned retail locations that are unable to handle the federal gas tax, U.S. Bank will calculate and accumulate the tax data. Once the criteria set by the IRS are met, U.S. Bank will complete an IRS 8849 refund claim and forward it to the client. The customer will sign the refund claim and forward it to the IRS for the refund to be processed.</p> <p>On January 1, 2006, U.S. Bank began exempting federal excise taxes as a registered Ultimate Vendor on all sales of gasoline, diesel, E 85, kerosene, aviation gas, and aviation grade kerosene. U.S. Bank handles all (100%) federal excise taxes through a proprietary exemption handling process that strips all taxes at the time of transaction posting.</p> <p>As a registered Ultimate Vendor, U.S. Bank will settle with the merchant whenever a State entity uses a U.S. Bank card to acquire fuel. When the Voyager Fleet Card is used at an oil company vendor, the transaction resides in the vendor's point of sale device until the vendor processes its daily batch file upload into the oil company/processor's mainframe.</p> <p>The oil company/processor will then submit settlement files to U.S. Bank. During the settlement process, U.S. Bank will purchase the fuel transaction at a price that includes the federal excise tax. U.S. Bank will then run all transactions through a tax exemption handling routine that strips all applicable taxes and will post the transactions to the State less any federal excise taxes. Lastly, U.S. Bank, as the Ultimate Vendor, will then file a claim with the IRS to receive a refund of any federal excise taxes exempted.</p> <p>U.S. Bank has developed and maintains our own proprietary tax exemption handling process—a process that is used to great effect by many state and Federal governmental entities today. U.S. Bank also possesses the industry's best level III data capture. The combination of these two features allows U.S. Bank to offer the State a real-time, sophisticated tax exemption handling process. Transactions are handled live in the U.S. Bank system as they are received; not at a later date or via a third party as is the case with other fleet card providers. Furthermore, because of our complete level III data capture, more taxes are handled with greater accuracy and the State does not lose valuable tax exemption dollars due to inaccurate or missing level III data.</p> <p>If the State selects Voyager Mastercard for its future fleet card program, please note that U.S. Bank is not able to omit sales and excise taxes on transactions that process on the Mastercard network. However, U.S. Bank is able to provide reporting on such charges to the State is able to apply for a refund of applicable sales and excise taxes from each merchant.</p> <p>Short paying an invoice is not recommended and typically causes reconciliation issues for our customers. If Voyager is unable to exempt the Federal Tax, the State would be responsible to obtain a refund through its normal tax refund processes.</p>





4.2	Detail how the bidder will furnish all cards using standard plastic (new issue, replacement due to damage or loss) at no cost to the University
	<p>Response: When a replacement card is required, the fleet manager calls the Customer Service Center to report a card lost or stolen and to request a replacement. There are no replacement fees for standard delivery and the University of Nebraska is not responsible for any fraudulent charges made to the card after notification. There is an expedited delivery fee of \$20.00 per shipment.</p>
4.3	Detail how the bidder will ship cards (new issue, replacement due to damage or loss) free to the University using standard shipping.
	<p>Response:</p> <p>Ongoing issuance After implementation, Fleet Managers can establish new cards, drivers and vehicles using our online fleet management tools at voyager.usbank.com. All requests are processed upon receipt and fulfilled within two to three business days. Rush issuance can be completed within 24 to 48 hours.</p> <p>Card and PIN issuance We will send new cards on the following business day after the account has been approved by an authorized point of contact. The Account Coordinator Team will have provided an account profile for each new account via fax or email so that the State has all the PINs prior to receiving the cards. All new cards are issued with active PINs.</p> <p>Renewal of cards We will create an account profile for each card to assist with the renewal of cards. This will allow each account administrator to review the current setup, vehicle, driver and PIN for all cards and to make any necessary changes.</p> <p>Replacement cards Replacement cards can also be conveniently ordered online. Additional options include telephone (by authorized personnel only), written request (fax or email) and electronic file. Replacement cards can be ordered the day the card is requested and can be mailed the next business day. Cards sent via USPS must allow five to seven business days for delivery. If the State would prefer that cards be sent via overnight delivery as a regular course of business, we will comply and bill the State accordingly (\$20.00 overnight fee per shipment of up to 100 cards).</p> <p>Mass card orders Mass card ordering for new accounts, vehicles, vehicle reassignments and replacement of damaged, lost and stolen cards can be made via the U.S. Bank Account Setup spreadsheet. Smaller orders can be made via phone, email, fax and online.</p> <p>Cancellation of cards Authorized personnel can cancel cards by telephone, written request (fax or email), electronic file or online at voyager.usbank.com.</p>
4.4	Currently the University uses a six (6) digit ID/PIN number. Detail how this is compatible with your system.
	<p>Response: Currently, PINs must be four to six numeric characters. Having a 6-digit PIN is compatible with U.S. Bank systems.</p>
4.5	<p>Currently the University uses the following structure printed on their cards. Detail how the bidder can comply. Line 1 – “Vehicle xxx” (xxx may range from 001 to 999UNO)</p>



	<p>Line 2 – “University of Nebraska” Line 3 – “Tax ID 05-8905401”</p>
	<p>Response: The embossing options for the Voyager Fleet cards are:</p> <ul style="list-style-type: none"> ▪ The first line can be embossed with 4 to 6 numeric digits: “Vehicle No. 123456”. ▪ The second line can be embossed up to 25 characters with the account name. ▪ The third line can be embossed up to 17 characters total. <p>As your current provider, U.S. Bank has your card embossing requirements and can continue to provide your customized cards embossed to your specifications.</p>
4.6	<p>Currently the University drivers are allowed up to three (3) soft transactions per day, meaning if needed the driver can call the vendor to authorize a 4th transaction. Detail how the bidder can comply.</p>
	<p>Response: Yes, U.S. Bank can administer a transaction limit for all University of Nebraska drivers. This restricts the number of transactions allowed within the specified time period. It may be set by day, week, month or billing cycle and as your current provider we already have this methodology in place.</p>
4.7	<p>Detail if the card is accepted in Canada and how the currency and liter to gallon conversion is detailed on the billing invoice.</p>
	<p>Response: Our card is not accepted in Canada. Our focus is on the United States and Puerto Rico, and we continue to increase our acceptance in that market. The Voyager Fleet Card is accepted at more than 320,000 locations in all 50 states and Puerto Rico.</p> <p>A Voyager Mastercard may be issued to users needing cross-border acceptance. Transactions are transmitted to Voyager in dollars and gallons. A foreign transaction fee may be charged for transactions outside of the U.S..</p>
4.8	<p>Detail if the card is accepted in Puerto Rico and how the currency and liter to gallon conversion is detailed on the billing invoice.</p>
	<p>Response: Yes, the Voyager Card is accepted in Puerto Rico. The transactions are from Total PR, (they issue the cards on behalf of Voyager and send an invoice file daily) and the transactions are transmitted to Voyager in dollars and gallons.</p>
4.9	<p>Detail who will cover costs for any software enhancements, card data upload, data conversion, etc. required to make the bidder card compatible with the University GASBOY Plus automated fuel system and FASTER FMS.</p>
	<p>Response: U.S. Bank will be responsible for any internal updates on our systems.</p> <p>Rather than paying for external software updates, U.S. Bank is offering a competitive rebate pricing structure based on the volume and timeliness of repayment of the Voyager fleet card program, and as your current provider we already have this methodology in place.</p>
4.10	<p>Detail how the bidder will restrict ordering new or replacement cards to only the University Fleet Management Director and the Fleet Management Administrative Staff.</p>
	<p>Response: Yes, per the University of Nebraska requirements, the ordering of new or replacement cards can be restricted to certain personnel such as the University Fleet Management Director and the Fleet Management Administrative Staff. The Director and Administrative Staff are designated by the University of Nebraska as authorized contacts within our customer service system. These contacts are approved to order new or replacement cards.</p>
4.11	<p>Detail how the bidder will deploy cards to the University with one expiration date.</p>



	<p>Response: Voyager Fleet Card accounts have a standard four-year expiration period; however, the flexibility of our system allows for a variety of options. U.S. Bank will consult with the University of Nebraska to understand your requirements for custom expiration dates.</p>
4.12	<p>Detail how the bidder can keep the expiration date the same if a card needs to be reissued. This would allow all University cards one expiration date.</p>
	<p>Response: All cards issued under the same Voyager account will have the same expiration date. As your current provider we already have the State's requirements in place.</p>
4.13	<p>Currently invoices are received on a weekly basis. They are received electronically and paid on a monthly basis. Detail all options available for the University to receive invoices.</p>
	<p>Response: Fleet managers can view statements, download statements as PDFs or Excel files, and make payments in the billing section of the Voyager portal. Users can access the most recent statement as well as statements for the previous 16 cycles. U.S. Bank can also transmit electronic billing statements via secure email or FTP. The electronic billing statement is available the day after the close of the billing cycle.</p> <p>We also offer electronic billing statements transmitted via secure email or FTP (file transfer protocol). The electronic billing statement is available the day after the close of the billing cycle.</p> <p>Our relationship management and client services staff will work closely with you to ensure that the correct paper, electronic and internet billing options are utilized. We provide the following billing options:</p> <ul style="list-style-type: none"> ▪ Daily, weekly or monthly electronic billing files in ASCII or Excel formats ▪ Daily, weekly or monthly billing reports in PDF, Excel, CSV and Tab Delimited file formats <p>These reports can be sent to individual accounts or a single roll-up report can be sent for multiple accounts via email or FTP. We will work with you to determine the best possible billing solutions. The electronic bill statements are available for 24 months.</p>
4.14	<p>Detail how the bidder will complete the implementation and be ready to go live April 1, 2024. This includes data conversion, software updates, card distribution, user training and any other requirements to make the Fleet Fuel card system fully operational. Please provide an implementation plan.</p>
	<p>Response: As your current provider there will be no need to implement a new program, saving the University of Nebraska the time and cost of implementation.</p> <p>However, if the State selects the Voyager Mastercard, implementation of that program would be required. Please refer to Proposal Exhibit 6, Sample Implementation Plan PROPRIETARY INFORMATION for more information.</p>

State of Nebraska State Purchasing Bureau

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES

REQUEST FOR PROPOSAL NUMBER	RELEASE DATE
RFP 6819 Z1	September 6, 2023
OPENING DATE AND TIME	PROCUREMENT CONTACT
October 18, 2023 2:00 p.m. Central Time	Matthew Hansen / Connie Heinrichs

PLEASE READ CAREFULLY!

SCOPE OF SERVICE

The State of Nebraska (State), Department of Administrative Services (DAS), Materiel Division, State Purchasing Bureau (SPB), is issuing this Request for Proposal (RFP) Number 6819 Z1 for the purpose of selecting a qualified Contractor to provide Fleet Fuel Card Services. A more detailed description can be found in Section V. The resulting contract may not be an exclusive contract as the State reserves the right to contract for the same or similar services from other sources now or in the future.

The term of the contract will be six (6) years commencing upon notice to proceed. The Contract includes the option to renew for two (2) additional one (1) year periods upon mutual agreement of the Parties. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the Parties.

In the event that a contract with the awarded bidder(s) is cancelled or in the event that the State needs additional contractors to supply the solicited services, this RFP may be used to procure the solicited services for up to eighteen (18) months from the date the Intent to Award is posted, provided that 1) the solicited goods or services will be provided by a bidder (or a successive owner) who submitted a bid pursuant to this RFP, 2) the bidder's proposal was evaluated, and 3) the bidder will honor the bidder's original proposal, including the proposed cost, allowing for any price increases that would have otherwise been allowed if the bidder would have received the initial award.

ALL INFORMATION PERTINENT TO THIS REQUEST FOR PROPOSAL CAN BE FOUND ON THE INTERNET AT:
<https://das.nebraska.gov/materiel/bidopps.html>.

IMPORTANT NOTICE: Pursuant to Neb. Rev. Stat. § 84-602.04, State contracts in effect as of January 1, 2014, and contracts entered into thereafter, must be posted to a public website. The resulting contract, the Request for Proposal, and the awarded bidder's proposal and response will be posted to a public website managed by DAS, which can be found at <http://statecontracts.nebraska.gov> And https://www.nebraska.gov/das/materiel/purchasing/contract_search/index.php.

In addition, and in furtherance of the State's public records Statute (Neb. Rev. Stat. § 84-712 et seq.), all proposals or responses received regarding this Request for Proposal will be posted to the State Purchasing Bureau public website.

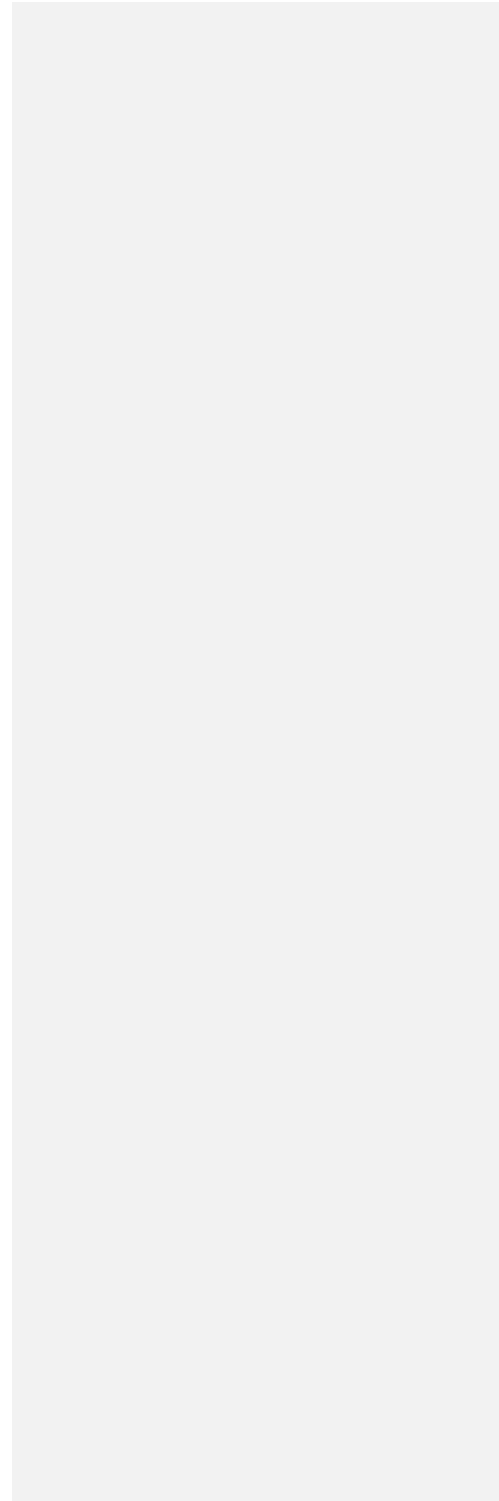
These postings will include the entire proposal or response. Bidder must request that proprietary information be excluded from the posting. The bidder must identify the proprietary information, mark the proprietary information according to state law, and submit the proprietary information in a separate file named conspicuously as "PROPRIETARY INFORMATION". The bidder should submit a detailed written document showing that the release of the proprietary information would give a business advantage to named business competitor(s) and explain how the named business competitor(s) will gain an actual business advantage by disclosure of information. The mere assertion that information is proprietary or that a speculative business advantage might be gained is not sufficient. (See Attorney General Opinion No. 92068, April 27, 1992). THE BIDDER MAY NOT ASSERT THAT THE ENTIRE PROPOSAL IS PROPRIETARY. REBATE PROPOSALS WILL NOT BE CONSIDERED

PROPRIETARY AND ARE A PUBLIC RECORD IN THE STATE OF NEBRASKA. The State will determine, in its sole discretion, if the disclosure of the information designated by the Bidder as proprietary would 1) give advantage to business competitors and 2) serve no public purpose. The Bidder will be notified of the State's decision. Absent a determination by the State that the information may be withheld pursuant to Neb. Rev. Stat. § 84-712.05, the State will consider all information a public record subject to disclosure.

If the State determines it is required to release withheld proprietary information, the bidder will be informed. It will be the bidder's responsibility to defend the bidder's asserted interest in non-disclosure.

To facilitate such public postings, with the exception of proprietary information, the State of Nebraska reserves a royalty-free, nonexclusive, and irrevocable right to copy, reproduce, publish, post to a website, or otherwise use any contract, proposal, or response to this Request for Proposal for any purpose, and to authorize others to use the documents. Any individual or entity awarded a contract, or who submits a proposal or response to this Request for Proposal, specifically waives any copyright or other protection the contract, proposal, or response to the Request for Proposal may have; and, acknowledges that they have the ability and authority to enter into such waiver. This reservation and waiver is a prerequisite for submitting a proposal or response to this Request for Proposal, and award of a contract. Failure to agree to the reservation and waiver will result in the proposal or response to the Request for Proposal being found non-responsive and rejected.

Any entity awarded a contract or submitting a proposal or response to the Request for Proposal agrees not to sue, file a claim, or make a demand of any kind, and will indemnify and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials from and against any and all 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, sustained or asserted against the State, arising out of, resulting from, or attributable to the posting of the contract or the proposals and responses to the Request for Proposal, awards, and other documents.

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GLOSSARY OF TERMS

Addendum: Something to be added or deleted to an existing document; a supplement.

Agency: Any state agency, board, or commission other than the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska.

Agent/Representative: A person authorized to act on behalf of another.

Amend: To alter or change by adding, subtracting, or substituting.

Amendment: A written correction or alteration to a document.

Appropriation: Legislative authorization to expend public funds for a specific purpose. Money set apart for a specific use.

Automated Clearing House: (ACH) Electronic network for financial transactions in the United States

Award: All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the Request for Proposal.

Best and Final Offer (BAFO): In a competitive proposal, the final offer submitted which contains the bidder's most favorable terms for price.

Bid Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the contractor will not withdraw the bid.

Bidder: A contractor who submits a proposal in response to a written Request for Proposal.

Breach: Violation of a contractual obligation by failing to perform or repudiation of one's own promise.

Business: Any corporation, partnership, individual, sole proprietorship, joint-stock company, joint venture, or any other private legal entity.

Business Day: Any weekday, except State-recognized holidays.

Calendar Day: Every day shown on the calendar including Saturdays, Sundays, and State/Federal holidays.

Cancellation: To call off or revoke a purchase order or contract without expectation of conducting or performing it at a later time.

Change Order: Document that provides an addendum and/or amendments to an executed purchase order or contract.

Collusion: An agreement or cooperation between two or more persons or entities to accomplish a fraudulent, deceitful, or unlawful purpose.

Confidential Information: Unless otherwise defined below, "Confidential Information" shall also mean proprietary trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Nebraska Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive.

Contract: An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law; the writing that sets forth such an agreement.

Contract Administration: The administration of the contract which includes and is not limited to; contract signing, contract amendments and any necessary legal actions.

Contract Award: Occurs upon execution of the State document titled "Service Contract Award" by the proper authority.

Contract Management: The management of day-to-day activities at the agency which includes and is not limited to ensuring deliverables are received, specifications are met, handling meetings and making payments to the Contractor.

Contract Period: The duration of the contract.

Contractor: An individual or entity lawfully conducting business in the State, or licensed to do so, who seeks to provide goods or services under the terms of a written Request for Proposal.

Copyright: A property right in an original work of authorship fixed in any tangible medium of expression, giving the holder the exclusive right to reproduce, adapt and distribute the work.

Customer Service: The process of ensuring customer satisfaction by providing assistance and advice on those products or services provided by the Contractor.

Default: The omission or failure to perform a contractual duty.

Deviation: Any proposed change(s) or alteration(s) to either the terms and conditions or deliverables within the scope of the written Request for Proposal or contract.

Evaluation: The process of examining an offer after opening to determine the bidder's responsibility, responsiveness to requirements, and to ascertain other characteristics of the offer that relate to determination of the successful award.

Evaluation Committee: Individuals selected by the requesting agency for the evaluation of proposals (offers made in response to written Request for Proposals).

Extension: Continuance of a contract for a specified duration upon the agreement of the parties beyond the original Contract Period. Not to be confused with "Renewal Period".

Fleet Card: A government charge card used to purchase fuel and authorized repairs, parts, or services for government owned or commercially leased vehicles, in support of official government business.

Fleet Management System: (FMS) A management computer system organizing and maximizing the efficiency of a company's fleet of vehicles including but not limited to vehicle depreciation, capable of tracking vehicle location, driver activity, and tracking mechanical purchases.

Fraud: Any criminal act of corruption or attempt to cheat the government or corrupt the government's agents. Use of government charge cards to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued or not as a part of official government business, etc., are examples of fraud.

Foreign Corporation: A foreign corporation that was organized and chartered under the laws of another state, government, or country.

Installation Date: The date when the procedures described in "Installation by Contractor", and "Installation by State", as found in the Request for Proposal, or contract, are completed.

Interested Party: A person, acting in their personal capacity, or an entity entering into a contract or other agreement creating a legal interest therein.

Late Proposal: An offer received after the Opening Date and Time.

Level III Data: Information at a minimum includes odometer, driver ID number or PIN, line item detail (for non-fuel purchases), merchant classification code, fuel grade, cost per gallon, sales tax, number of gallons, purchased date and time, merchant name, merchant street address, merchant city, state and zip code, total purchase cost, vehicle ID, and account number.

Licensed Software Documentation: The user manuals and any other materials in any form or medium customarily provided by the Contractor to the users of the Licensed Software which will provide the State with sufficient information to operate, diagnose, and maintain the Licensed Software properly, safely, and efficiently.

Mandatory/Must: Required, compulsory, or obligatory.

May: Discretionary, permitted; used to express possibility.

Must: See Mandatory/Must and Shall/Will/Must.

Non-Responsive Proposal: Any proposal that does not comply with the requirements of the Request for Proposal.

Opening Date and Time: Specified date and time for the public opening of received, labeled, and sealed formal proposals.

Performance Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the Contractor fulfills any and all obligations under the contract.

Point of Contact (POC): The person designated to receive communications and to communicate.

Pre-Proposal Conference: A meeting scheduled for the purpose of clarifying a written Request for Proposal and related expectations.

Project: The total scheme, program, or method worked out for the accomplishment of an objective, including all documentation, commodities, and services to be provided under the contract.

Proposal: Bidder's response to a written Request for Proposal.

Proposal Opening: The process of opening correctly submitted offers at the time and place specified in the written Request for Proposal and in the presence of anyone who wished to attend.

Protest/Grievance: A complaint about a governmental action or decision related to a Request for Proposal or resultant contract, brought by a bidder who has submitted a proposal response by the opening date and time in connection with the award in question, to AS Materiel Division or another designated agency with the intention of achieving a remedial result.

Rebate: A payment based on the quarterly or yearly spending volume of transactions (purchased less returns).

Release Date: The date of public release of the written Request for Proposal to seek offers.

Renewal Period: Optional contract periods subsequent to the original Contract Period for a specified duration with previously agreed to terms and conditions. Not to be confused with Extension.

Request for Proposal (RFP): A written solicitation utilized for obtaining competitive offers.

Responsible Contractor: A contractor who has the capability in all respects to perform fully and lawfully all requirements with integrity and reliability to assure good faith performance.

Responsive Bidder: A vendor who has submitted a proposal which conforms to all requirements of the Request for Proposal document.

Shall/Will/Must: An order/command; mandatory.

Should: Expected; suggested, but not necessarily mandatory.

Specifications: The detailed statement, especially of the measurements, quality, materials, and functional characteristics, or other items to be provided under a contract.

Subcontractor: Individual or entity with whom the contractor enters a contract to perform solely for the purpose of performing a portion of the work awarded to the contractor under this specific contract.

Termination: Occurs when either Party, pursuant to a power created by agreement or law, puts an end to the contract prior to the stated expiration date. All obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

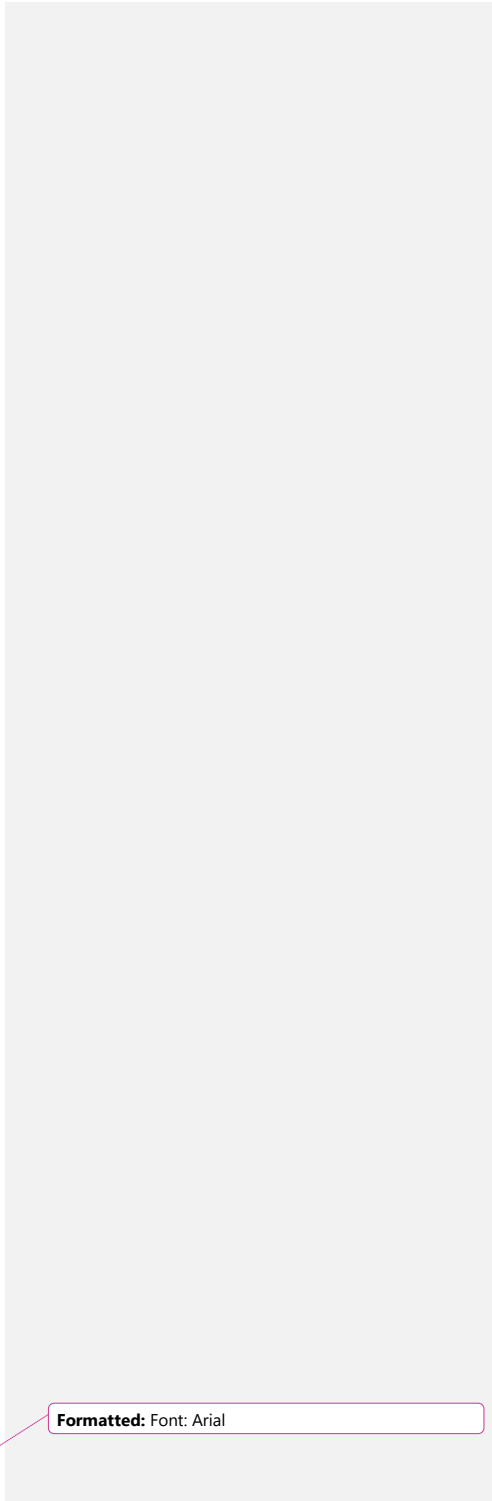
Third Party: Any person or entity, including but not limited to fiduciaries, shareholders, owners, officers, managers, employees, legally disinterested persons, and sub-contractors or agents, and their employees. It shall not include any entity or person who is an interested Party to the contract or agreement.

Trade Secret: Information, including, but not limited to, a drawing, formula, pattern, compilation, program, device, method, technique, code, or process that (a) derives independent economic value, actual or potential, from not being known to, and not being ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (see Neb. Rev. Stat. § 87-502(4)).

Trademark: A word, phrase, logo, or other graphic symbol used by a manufacturer or contractor to distinguish its product from those of others, registered with the U.S. Patent and Trademark Office.

Vendor: An individual or entity lawfully conducting business with the State.

Will: See Mandatory/Shall/Will/Must.



Work Day: See Business Day.

ACRONYM LIST

ACH – Automated Clearing House

BAFO – Best and Final Offer

COI – Certificate of Insurance

DAS – Department of Administrative Services

FMS – Fleet Management System

RFP – Request for Proposal

SPB – State Purchasing Bureau

I. PROCUREMENT PROCEDURE

A. GENERAL INFORMATION

The Request for Proposal is designed to solicit proposals from a qualified bidder who will be responsible for providing Fleet Fuel Card Services at a competitive and reasonable cost. Terms and Conditions, Project Description and Scope of Work, Proposal instructions, and Rebate Proposal Requirements may be found in Sections II through VI.

Proposals shall conform to all instructions, conditions, and requirements included in the Request for Proposal. Prospective bidders are expected to carefully examine all documents, schedules, and requirements in this Request for Proposal, and respond to each requirement in the format prescribed. Proposals may be found non-responsive if they do not conform to the Request for Proposal.

B. PROCURING OFFICE AND COMMUNICATION WITH STATE STAFF AND EVALUATORS

Procurement responsibilities related to this Request for Proposal reside with State Purchasing Bureau. The point of contact (POC) for the procurement is as follows:

RFP Number: 6819 Z1
Name: Matthew Hansen / Connie Heinrichs
Agency: State Purchasing Bureau
Address: 1526 K Street, Suite 130
Lincoln, NE 68508
Telephone: 402-471-2302 / 402-471-0975
E-Mail: matthew.hansen@nebraska.gov / connie.heinrichs@nebraska.gov

From the date the Request for Proposal is issued until the Intent to Award is issued, communication from the bidder is limited to the POC listed above. After the Intent to Award is issued, the bidder may communicate with individuals the State has designated as responsible for negotiating the contract on behalf of the State. No member of the State Government, employee of the State, or member of the Evaluation Committee is empowered to make binding statements regarding this Request for Proposal. The POC will issue any answers, clarifications, or amendments regarding this Request for Proposal in writing. Only the SPB or awarding agency can award a contract. Bidders shall not have any communication with or attempt to communicate or influence any evaluator involved in this Request for Proposal.

The following exceptions to these restrictions are permitted:

1. Contact made pursuant to pre-existing contracts or obligations;
2. Contact required by the schedule of events or an event scheduled later by the RFP POC; and
3. Contact required for negotiation and execution of the final contract.

The State reserves the right to reject a bidder's proposal, withdraw an Intent to Award, or terminate a contract if the State determines there has been a violation of these procurement procedures.

C. SCHEDULE OF EVENTS

The State expects to adhere to the procurement schedule shown on the following page, but all dates are approximate and subject to change.

NOTE: All ShareFile links in the Schedule of Events below, are unique links for each schedule step. Please click the correct link for the upload step you are requesting.

Schedule of Events		
ACTIVITY		DATE/TIME
1.	Release RFP	September 6, 2023
	Last day to submit 1 st round written questions	
2.	ShareFile link for uploading questions: https://nebraska.sharefile.com/r-r3e110255b1ba4d0996f194a131bd67e	September 13, 2023
3.	State responds to 1 st round written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: http://das.nebraska.gov/materiel/bidopps.html	September 20, 2023
	Last day to submit 2 nd round written questions	
4.	ShareFile link for uploading questions: https://nebraska.sharefile.com/r-r0e9de5eec89d42519f23d8aed28e1136	September 27, 2023
5.	State responds to 2 nd round written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: http://das.nebraska.gov/materiel/bidopps.html	October 4, 2023
	Last day to submit "Notification of Intent to Submit a Proposal"	
6.	ShareFile link for uploading Notification of Intent to Submit a Proposal: https://nebraska.sharefile.com/r-r741f11079b434a24a322fb1a8cbfc9e0	October 6, 2023

Schedule of Events		
ACTIVITY		DATE/TIME
7.	<p>Proposal Opening – Online Via Zoom:</p> <p>IT IS THE BIDDER'S RESPONSIBILITY TO UPLOAD ELECTRONIC FILES BY OPENING DATE AND TIME. EXCEPTIONS WILL NOT BE MADE FOR TECHNOLOGY ISSUES.</p> <p>ShareFile Electronic Proposal Submission Link: https://nebraska.sharefile.com/r-ra598e939cd8343438e7389c330fbf6e6</p> <p>Join Zoom Meeting https://us02web.zoom.us/j/82982524648?pwd=eC84RndRdlMxL0w3dlU2dk11Z2pzUT09</p> <p>Meeting ID: 829 8252 4648 Passcode: 564586</p> <p>One tap mobile +13462487799,,82982524648#,,,,*564586# US (Houston) +16694449171,,82982524648#,,,,*564586# US</p> <p>Dial by your location</p> <ul style="list-style-type: none"> • +1 346 248 7799 US (Houston) • +1 669 444 9171 US • +1 669 900 6833 US (San Jose) • +1 719 359 4580 US • +1 253 205 0468 US • +1 253 215 8782 US (Tacoma) • +1 929 205 6099 US (New York) • +1 301 715 8592 US (Washington DC) • +1 305 224 1968 US • +1 309 205 3325 US • +1 312 626 6799 US (Chicago) • +1 360 209 5623 US • +1 386 347 5053 US • +1 507 473 4847 US • +1 564 217 2000 US • +1 646 931 3860 US • +1 689 278 1000 US <p>Meeting ID: 829 8252 4648 Passcode: 564586</p> <p>Find your local number: https://us02web.zoom.us/j/kdJP4XUxGs</p>	<p>October 18, 2023 2:00 PM Central Time</p>
8.	Review for conformance to RFP requirements	October 18, 2023 – October 19, 2023
9.	Evaluation period	October 20, 2023 – November 17, 2023
10.	"Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
11.	Post "Notification of Intent to Award" to Internet at: https://das.nebraska.gov/materiel/bidopps.html	December 8, 2023
12.	Contract finalization period	December 11, 2023 – March 14, 2024
13.	Contract award	March 18, 2024
14.	Contractor start date	4/1/2024

D. WRITTEN QUESTIONS AND ANSWERS

Questions regarding the meaning or interpretation of any Request for Proposal provision must be submitted in writing to State Purchasing Bureau and clearly marked "RFP Number 6819 Z1; Fleet Fuel Card Services Questions". The POC is not obligated to respond to questions that are received late per the Schedule of Events.

Bidders should present, as questions, any assumptions upon which the bidder's proposal is or might be developed. Any proposal containing assumptions may be deemed non-responsive. Non-responsive proposals may be rejected by the State. Proposals will be evaluated without consideration of any known or unknown assumptions of a bidder. The contract will not incorporate any known or unknown assumptions of a bidder.

Questions should be uploaded using the ShareFile link provided in the RFP Schedule of Events, Section I.C. It is recommended that bidders submit questions using the following format:

RFP Section Reference	RFP Page Number	Question

Written answers will be posted at <https://das.nebraska.gov/materiel/bidopps.html> per the Schedule of Events.

E. NOTIFICATION OF INTENT TO SUBMIT A PROPOSAL

Bidders should notify the POC of their intent to attend by submitting a "Notification to Submit a Proposal" (see Form B) by uploading the Form using the ShareFile link provided in the RFP Schedule of Events, Sections 1.C.

A list of bidders who submitted a Notification of Intent to Submit a Proposal will be posted on the Internet at <https://das.nebraska.gov/materiel/bidopps.html>.

F. SECRETARY OF STATE/TAX COMMISSIONER REGISTRATION REQUIREMENTS

All bidders must be authorized to transact business in the State of Nebraska and comply with all Nebraska Secretary of State Registration requirements. The bidder who is the recipient of an Intent to Award may be required to certify that it has complied and produce a true and exact copy of its current (within ninety (90) calendar days of the intent to award) Certificate or Letter of Good Standing, or in the case of a sole proprietorship, provide written documentation of sole proprietorship and complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at: <https://das.nebraska.gov/materiel/docs/pdf/Individual%20or%20Sole%20Proprietor%20United%20States%20Attestation%20Form%20English%20and%20Spanish.pdf> This should be accomplished prior to execution of the contract.

G. ETHICS IN PUBLIC CONTRACTING

The State reserves the right to reject proposals, withdraw an intent to award or award, or terminate a contract if an ethical violation has been committed, which includes, but is not limited to:

1. Offering or giving, directly or indirectly, a bribe, fee, commission, compensation, gift, gratuity, or anything of value to any person or entity in an attempt to influence the bidding process;
2. Utilizing the services of lobbyists, attorneys, political activists, or consultants to influence or subvert the bidding process;
3. Being considered for, presently being, or becoming debarred, suspended, ineligible, or excluded from contracting with any state or federal entity;
4. Submitting a proposal on behalf of another Party or entity; and
5. Colluding with any person or entity to influence the bidding process, submit sham proposals, preclude bidding, fix pricing or costs, create an unfair advantage, subvert the proposal, or prejudice the State.

The bidder shall include this clause in any subcontract entered into for the exclusive purpose of performing this contract.

Bidder shall have an affirmative duty to report any violations of this clause by the bidder throughout the bidding process and throughout the term of this contract for the awarded bidder and their subcontractors.

H. DEVIATIONS FROM THE REQUEST FOR PROPOSAL

The requirements contained in the Request for Proposal (Sections II thru VI) become a part of the terms and conditions of the contract resulting from this Request for Proposal. Any deviations from the Request for Proposal in Sections II through VI must be clearly defined by the bidder in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the Request for Proposal, requirements, or applicable state or federal laws or statutes. "Deviation", for the purposes of

this Request for Proposal, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this Request for Proposal. The State discourages deviations and reserves the right to reject proposed deviations.

I. PRICES & COST CLARIFICATION

Discount and Price provisions are discussed in Section II. E. & F. The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component indicates a significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

J. SUBMISSION OF PROPOSALS

The State is only accepting electronic responses submitted in accordance with this RFP. The State will not accept proposals by mail, email, voice, or telephone, unless otherwise explicitly stated in writing by the State.

Pages may be consecutively numbered for the entire proposal or may be numbered consecutively within sections. Figures and tables should be numbered and referenced in the text by that number. They should be placed as close as possible to the referencing text. The Technical Proposal should not contain any reference to dollar amounts. However, information such as data concerning labor hours and categories, materials, subcontracts and so forth, shall be considered in the Technical Proposal so that the bidder's understanding of the scope of work may be evaluated. The Technical Proposal shall disclose the bidder's technical approach in as much detail as possible, including, but not limited to, the information required by the Technical Proposal instructions.

It is the bidder's responsibility to ensure the RFP is received electronically by the date and time indicated in the Schedule of Events. Proposals must be submitted via ShareFile by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted.

It is the responsibility of the bidder to check the website for all information relevant to this RFP to include addenda and/or amendments issued prior to the opening date. The website can be found here: <https://das.nebraska.gov/materiel/bidopps.html>.

Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to requirements, completeness, and clarity of content. If the bidder's proposal is presented in such a fashion that makes evaluation difficult or overly time consuming the State reserves the right to reject the proposal as non-conforming.

1. **Bidders must submit responses via ShareFile using the proposal submission link.**
Note to bidders: Not all browsers are compatible with ShareFile. Currently Chrome, Internet Explorer and Firefox are compatible. After the bidder clicks the proposal submission link, the bidder will be prompted to enter contact information including an e-mail address. By entering an e-mail address, the bidder should receive a confirmation email confirming the successful upload directly from ShareFile.

ShareFile link for uploading RFP response(s) provided in the RFP Schedule of Events, Section I.C.

- a. The Technical, Rebate Proposal and Proprietary information should be uploaded as separate and distinct files.
 - i. If duplicated proposals are submitted, the State will retain only the most recently submitted response.
 - ii. If it is the bidder's intent to submit multiple proposals, the bidder must clearly identify the separate submissions.
 - iii. It is the bidder's responsibility to allow time for electronic uploading. All file uploads must be completed by the Opening date and time per the Schedule of Events. No late proposals will be accepted.
- b. **ELECTRONIC PROPOSAL FILE NAMES**
The bidder should clearly identify the uploaded RFP proposal files. To assist in identification the bidder should use the following naming convention:
 - i. RFP 6819 Z1, Company Name
If multiple files are submitted for one RFP proposal, add number of files to file names:
RFP 6819 Z1 Company Name File 1 of 2.
RFP 6819 Z1 Company Name File 2 of 2.
 - ii. If multiple RFP proposals are submitted for the same RFP, add the proposal number to the file names:
RFP 6819 Z1 Company Name Proposal 1 File 1 of 2.

The "Request for Proposal for Contractual Services" form must be signed manually in ink or by DocuSign and returned by the proposal opening date and time along with the bidder's Request for Proposal and any other

requirements as stated in the Request for Proposal document in order for the bidder's Request for Proposal response to be evaluated.

By signing the "Request for Proposal for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal.

K. PROPOSAL PREPARATION COSTS

The State shall not incur any liability for any costs incurred by bidder's in replying to this Request for Proposal, including any activity related to bidding on this Request for Proposal.

L. FAILURE TO COMPLY WITH REQUEST FOR PROPOSAL

Violation of the terms and conditions contained in this Request for Proposal or any resultant contract, at any time before or after the award, shall be grounds for action by the State which may include, but is not limited to, the following:

1. Rejection of a bidder's proposal,
2. Withdrawal of the Intent to Award,
3. Withdrawal of the Award,
4. Negative documentation regarding Vendor Performance,
5. Termination of the resulting contract,
6. Legal action; and
7. Suspension of the bidder from further bidding with the State for the period of time relative to the seriousness of the violation. Such period to be within the sole discretion of the State.

M. PROPOSAL CORRECTIONS

A bidder may correct a mistake in a proposal prior to the time of opening by uploading a revised and completed proposal if the original proposal was electronically submitted.

1. If a corrected electronic proposal is submitted, the file name(s) date/time stamped with latest date/time stamp will be accepted. The corrected proposal file name(s) should be identified as:
 - a. Corrected 6819 Z1 Company Name Proposal #1 File 1 of 2,
 - b. Corrected 6819 Z1 Company Name Proposal #2 File 2 of 2, etc.

Changing a proposal after opening may be permitted if the change is made to correct a minor error that does not affect price, quantity, quality, delivery, or contractual conditions. In case of a mathematical error in extension of price, unit price shall govern.

N. LATE PROPOSALS

Proposals received after the time and date of the proposal opening will be considered late proposals. Late proposals will be considered non-responsive. The State is not responsible for proposals that are late or lost regardless of cause or fault.

O. PROPOSAL OPENING

The opening of proposals will be public and the bidders will be announced. Proposals **WILL NOT** be available for viewing by those present at the proposal opening. Proposals will be posted to the State Purchasing Bureau website once an Intent to Award has been posted to the website. Once proposals are opened, they become the property of the State of Nebraska and will not be returned.

P. REQUEST FOR PROPOSAL/PROPOSAL REQUIREMENTS

The proposals will first be examined to determine if all requirements listed below have been addressed and whether further evaluation is warranted. Proposals not meeting the requirements may be rejected as non-responsive. The requirements are:

1. Original Request for Proposal for Contractual Services form signed manually in ink or by DocuSign;
2. Clarity and responsiveness of the proposal;
3. Completed Corporate Overview;
4. Completed Sections II through VI;
5. Completed Technical Approach; and
6. Completed State Rebate Proposal Template.

Q. EVALUATION COMMITTEE

Proposals are evaluated by members of an Evaluation Committee(s). The Evaluation Committee(s) will consist of individuals selected at the discretion of the State. Names of the members of the Evaluation Committee(s) will not be published prior to the intent to award.

Any contact, attempted contact, or attempt to influence an evaluator that is involved with this Request for Proposal may result in the rejection of this proposal and further administrative actions.

R. EVALUATION OF PROPOSALS

All proposals that are responsive to the Request for Proposal will be evaluated. Each evaluation category will have a maximum point potential. The State will conduct a fair, impartial, and comprehensive evaluation of all proposals in accordance with the criteria set forth below. Areas that will be addressed and scored during the evaluation include:

1. Financial Stability
2. Corporate Overview may include, but is not limited to:
 - a. the ability, capacity, and skill of the bidder to deliver and implement the system or project that meets the requirements of the Request for Proposal;
 - b. the character, integrity, reputation, judgment, experience, and efficiency of the bidder;
 - c. whether the bidder can perform the contract within the specified time frame;
 - d. the bidder's historical or current performance; and
 - e. such other information that may be secured and that has a bearing on the decision to award the contract.

In evaluating the corporate overview, the State may consider, past experiences with the vendor, references, the State's record of the vendor which may include, but is not limited to Vendor Performance Notices, Vendor Improvement Requests, vendor performance reports, and any information related to the vendor's historical or current character, integrity, reputation, capability, or performance with the State or a third-party.

3. Technical Approach including but not limited to Attachment A; and
4. Rebate Proposal.

Neb. Rev. Stat. § 73-107 allows for a preference for a resident disabled veteran or business located in a designated enterprise zone. When a state contract is to be awarded to the lowest responsible bidder, a resident disabled veteran or a business located in a designated enterprise zone under the Enterprise Zone Act shall be allowed a preference over any other resident or nonresident bidder, if all other factors are equal.

Resident disabled veterans means any person (a) who resides in the State of Nebraska, who served in the United States Armed Forces, including any reserve component or the National Guard, who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), and who possesses a disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense and (b)(i) who owns and controls a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in (a) of this paragraph and (ii) the management and daily business operations of the business are controlled by one or more persons described in (a) of this paragraph. Any contract entered into without compliance with this section shall be null and void.

Therefore, if a resident disabled veteran or business located in a designated enterprise zone submits a proposal in accordance with Neb. Rev. Stat. § 73-107 and has so indicated on the Request for Proposal cover page under "Contractor must complete the following" requesting priority/preference to be considered in the award of this contract, the following will need to be submitted by the contractor within ten (10) business days of request:

1. Documentation from the United States Armed Forces confirming service,
2. Documentation of discharge or otherwise separated characterization of honorable or general (under honorable conditions),
3. Disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense; and
4. Documentation which shows ownership and control of a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision (a) of this subsection; and the management and daily business operations of the business are controlled by one or more persons described in subdivision (a) of this subsection.

Failure to submit the requested documentation within ten (10) business days of notice will disqualify the bidder from consideration of the preference.

S. ORAL INTERVIEWS/PRESENTATIONS AND/OR DEMONSTRATIONS

The State may determine after the completion of the Technical and Rebate Proposal evaluation that oral interviews/presentations and/or demonstrations are required. Every bidder may not be given an opportunity to interview/present and give demonstrations; the State reserves the right, in its discretion, to select only the top scoring bidders to present/give oral interviews. The scores from the oral interviews/presentations and/or demonstrations will be added to the scores from the Technical and Rebate Proposals. The presentation process will allow the bidders to demonstrate their proposal offering, explaining and/or clarifying any unusual or significant elements related to their proposals. Bidders' key personnel, identified in their proposal, may be requested to participate in a structured interview to determine their understanding of the requirements of this proposal, their authority and reporting relationships within their firm, and their management style and philosophy. Only representatives of the State and the presenting bidder will be permitted to attend the oral interviews/presentations and/or demonstrations. A written copy or summary of the presentation, and demonstrative information (such as briefing charts, et cetera) may be offered by the bidder, but the State reserves the right to refuse or not consider the offered materials. Bidders shall not be allowed to alter or amend their proposals.

Once the oral interviews/presentations and/or demonstrations have been completed, the State reserves the right to make an award without any further discussion with the bidders regarding the proposals received.

Any cost incidental to the oral interviews/presentations and/or demonstrations shall be borne entirely by the bidder and will not be compensated by the State.

T. BEST AND FINAL OFFER

Each bidder should provide its best offer with their original proposal response and should not expect the State to request a best and final offer (BAFO).

The State reserves the right to conduct more than one BAFO or to not offer every bidder an opportunity to submit a BAFO. If requested by the State, the BAFO must be submitted on the BAFO Rebate Proposal form and in accordance with the State's instructions. Failure to submit a requested BAFO or failure to submit a BAFO in accordance with the State's instructions may result in rejection of the bidder's entire proposal response. BAFOs may be scored and ranked by the Evaluation Committee.

U. REFERENCE AND CREDIT CHECKS

The State reserves the right to conduct and consider reference and credit checks. The State reserves the right to use third parties to conduct reference and credit checks. By submitting a proposal in response to this Request for Proposal, the bidder grants to the State the right to contact or arrange a visit in person with any or all of the bidder's clients. Reference and credit checks may be grounds to reject a proposal, withdraw an intent to award, or rescind the award of a contract.

V. AWARD

The State reserves the right to evaluate proposals and award contracts in a manner utilizing criteria selected at the State's discretion and in the State's best interest. After evaluation of the proposals, or at any point in the Request for Proposal process, the State of Nebraska may take one or more of the following actions:

1. Amend the Request for Proposal,
2. Extend the time of or establish a new proposal opening time,
3. Waive deviations or errors in the State's Request for Proposal process and in bidder proposals that are not material, do not compromise the Request for Proposal process or a bidder's proposal, and do not improve a bidder's competitive position,
4. Accept or reject a portion of or all of a proposal,
5. Accept or reject all proposals,
6. Withdraw the Request for Proposal;
7. Elect to rebid the Request for Proposal;
8. Award single lines or multiple lines to one or more bidders; or,
9. Award one or more all-inclusive contracts.

The Request for Proposal does not commit the State to award a contract. Once intent to award decision has been determined, it will be posted to the Internet at:

<https://das.nebraska.gov/materiel/bidopps.html>

Any protests must be filed by a bidder within ten (10) business days after the intent to award decision is posted to the Internet. Grievance and protest procedure is available on the Internet at:

https://das.nebraska.gov/materiel/docs/pdf/ProtestGrievanceWithGuidance_08042021.pdf%20

W. LUMP SUM OR "ALL OR NONE" PROPOSALS

The State reserves the right to purchase item-by-item, by groups or as a total when the State may benefit by so doing. Bidders may submit a proposal on an "all or none" or "lump sum" basis but should also submit a proposal on an item-by-item basis. The term "all or none" means a conditional proposal which requires the purchase of all items on which proposals are offered and bidder declines to accept award on individual items; a "lump sum" proposal is one in which the bidder offers a lower price than the sum of the individual proposals if all items are purchased but agrees to deliver individual items at the prices quoted.

X. REJECTION OF PROPOSALS

The State reserves the right to reject any or all proposals, wholly or in part, in the best interest of the State.

Y. RESIDENT BIDDER

Pursuant to Neb. Rev. Stat. §§ 73-101.01 & 73-101.02, a Resident Bidder shall be allowed a preference against a Non-resident Bidder from a state which gives or requires a preference to Bidders from that state. The preference shall be equal to the preference given or required by the state of the Nonresident Bidders. Where the lowest responsible bid from a resident Bidder is equal in all respects to one from a nonresident Bidder from a state which has no preference law, the resident Bidder shall be awarded the contract. The provision of this preference shall not apply to any contract for any project upon which federal funds would be withheld because of the provisions of this preference.

II. TERMS AND CONDITIONS

Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the Request for Proposal, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this Request for Proposal. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this Request for Proposal.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control,
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together,
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>With respect to Sections a and d, wherein the State proposes that the RFP and Proposal be included in the contract, U.S. Bank proposes that such written materials are not incorporated into the contract. U.S. Bank does not customarily incorporate the RFP, its Proposal or program implementation details into the contract because these materials are used as a business presentation or work tools and are not material to a binding legal document.</u></p> <p><u>U.S. Bank proposes that either the U.S. Bank Fleet Card Program Agreement be the contract that the parties negotiate certain terms and conditions from this RFP into, or that the U.S. Bank Fleet Card Program Agreement be the controlling document in the order of precedence.</u></p>

1. The contract resulting from this Request for Proposal shall incorporate the following documents:
 - a. Request for Proposal, including any attachments and addenda;
 - b. Amendments to the Request for Proposal;
 - c. Questions and Answers;
 - d. Bidder's properly submitted proposal, including any terms and conditions or agreements submitted by the bidder; and
 - e. Amendments and Addendums to the Contract.

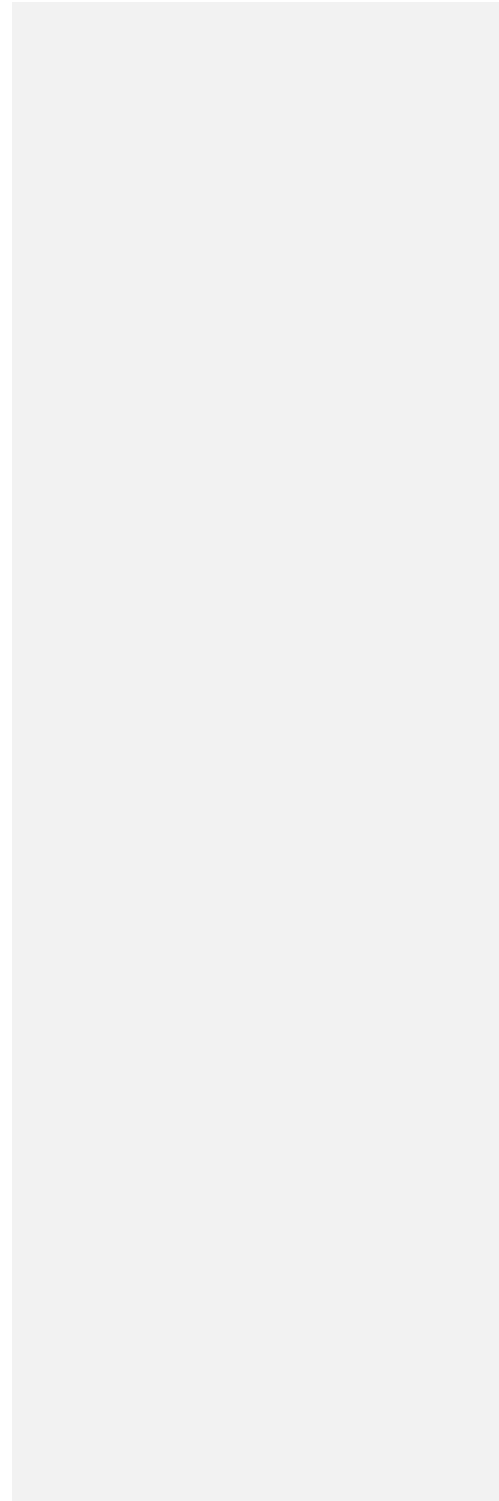
These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, 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 or Addendum to the executed Contract with the most recent dated amendment or addendum having the highest priority, 2) Amendments to the Request for Proposal, 3) Questions and Answers, 4) the original Request for Proposal document and any Addenda or attachments, and 5) the Contractor's submitted Proposal, including any terms and conditions or agreements that are accepted by the State.

Unless otherwise specifically agreed to in writing by the State, the State's standard terms and conditions, as executed

by the State, shall always control over any terms and conditions or agreements submitted or included by the Contractor.

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			

Bidder 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, return receipt requested; or mailed, return receipt requested. All notices, requests, or communications shall be deemed effective upon receipt.

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 bidder 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 (Nonnegotiable)

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. DISCOUNTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Prices quoted shall be inclusive of ALL trade discounts. Cash discount terms of less than thirty (30) days will not be considered as part of the proposal. Cash discount periods will be computed from the date of receipt of a properly executed claim voucher or the date of completion of delivery of all items in a satisfactory condition, whichever is later.

F. PRICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>We would redact the redlined clauses below and add the following language:</u></p> <p><u>"U.S. Bank reserves the right to modify the rebate calculations or values due to the actions of third parties. These calculations or values may be modified (i) at any time if existing interchange rates or programs are modified, or if new interchange rates or programs are developed by a card network or (ii) if there has been any movement in the federal funds rate since the award of the contract that has an effect on U.S. Bank's cost of funds. Such modifications, in either case, will apply to the then applicable Rebate Period."</u></p>

Prices quoted shall be net, including transportation and delivery charges fully prepaid by the bidder, F.O.B. destination named in the Request for Proposal. No additional charges will be allowed for packing, packages, or partial delivery costs. When an arithmetic error has been made in the extended total, the unit price will govern. For the purpose of the RFP, the term "price" includes rebates offered by bidders.

All prices, costs, and terms and conditions submitted in the proposal shall remain fixed and valid commencing on the opening date of the proposal until the contract terminates or expires.

~~The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.~~

~~The State will be given full proportionate benefit of any decreases for the term of the contract.~~

G. BEGINNING OF WORK & SUSPENSION OF SERVICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>We accept the standard language but will add the append the following language to it:</u></p> <p><u>"In the event the State suspends work, the State will remain liable for any obligations incurred prior to the beginning of the suspension."</u></p>

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

The State may, at any time and without advance notice, require the Contractor to suspend any or all performance or deliverables provided under this Contract. In the event of such suspension, the Contract Manager or POC, or their designee, will issue a written order to stop work. The written order will specify which activities are to be immediately suspended and the reason(s) for the suspension. Upon receipt of such order, the Contractor shall immediately comply with its terms and take all necessary steps to mitigate and eliminate the incurrence of costs allocable to the work affected by the order during the period of suspension. The suspended performance or deliverables may only resume when the State provides the Contractor with written notice that such performance or deliverables may resume, in whole or in part.

H. AMENDMENT

This Contract may be amended in writing, within scope, upon the agreement of both parties.

I. CHANGE ORDERS OR SUBSTITUTIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the Request for Proposal. 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.

*****Contractor will not substitute any item that has been awarded without prior written approval of SPB*****

J. RECORD OF VENDOR PERFORMANCE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The State may document the vendor's performance, which may include, but is not limited to, the customer service provided by the vendor, the ability of the vendor, the skill of the vendor, and any instance(s) of products or services delivered or performed which fail to meet the terms of the purchase order, contract, and/or Request for Proposal specifications. In addition to other remedies and options available to the State, the State may issue one or more notices to the vendor outlining any issues the State has regarding the vendor's performance for a specific contract ("Vendor Performance Notice"). The State may also document the Vendor's performance in a report, which may or may not be provided to the vendor ("Vendor Improvement Request"). The Vendor shall respond to any Vendor Performance Notice or Vendor Improvement Request in accordance with such notice or request. At the sole discretion of the State, such Vendor Performance Notices and Vendor Improvement Requests may be placed in the State's records regarding the vendor and may be considered by the State and held against the vendor in any future contract or award opportunity.

K. CORRECTIVE ACTION PLAN

If Contractor is failing to meet the Scope of Work, in whole or in part, the State may require the Contractor to complete a corrective action plan ("CAP"). The State will identify issues with the Contractor's performance and will set a deadline for the CAP to be provided. The Contractor must provide a written response to each identified issue and what steps the Contractor will take to resolve each issue, including the timeline(s) for resolution. ~~If the Contractor fails to adequately provide the CAP in accordance with this section, fails to adequately resolve the issues described in the CAP, or fails to resolve the issues described in the CAP by the relevant deadline, the State may withhold payments and exercise any legal remedy available.~~

L. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

M. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<u>We can accept this as is if the Terms and Conditions of our standard agreement are adopted. U.S. Bank reserves the remedy to suspend or close delinquent accounts.</u>

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 email to the contractor's point of contact with acknowledgement from the contractor, Certified Mail - Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. 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.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

N. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

O. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

P. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

1. GENERAL

~~The~~Except to the extent of the State's negligence or willful misconduct, 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. Contractor's indemnity obligations are conditioned upon: (i) the State providing Contractor with prompt notice of any claims; (ii) the State allowing Contractor full control over the defense or settlement of any claims; and (iii) providing reasonable assistance in connection therewith.

2. INTELLECTUAL PROPERTY

~~The~~Except to the extent of the State's negligence or willful misconduct, 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 materially 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 Request for Proposal.

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 their 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. 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. §§ 81-8,239.01 to 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in state law and accepts liability under this agreement only 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.

Q. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

R. LIQUIDATED DAMAGES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>U.S. Bank proposes that liquidated damages be capped cumulatively through the life of the contract at one hundred fifty thousand U.S. Dollars (\$150,000.00).</u></p> <p><u>Further, U.S. Bank proposes the following limitation of liability that is standard for all contracts:</u> <u>Limitation of Liability. Neither State nor U.S. Bank, nor any Party's affiliates, representatives, or assigns are in any event liable to the other Party for any consequential, special, indirect, or punitive damages of any nature (including lost profits) even if such Party had been notified of their possible existence.</u></p>

The State and the Contractor(s) agree that actual damages from a failure to perform certain requirements in any contract(s) 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 damage that the State would anticipate as a result of the failure.

In lieu of actual damage, the State, and the Contractor(s) shall agree to a schedule of fees for failure to perform certain requirements in any contract(s) executed to this RFP.

The following is the required schedule of liquidated damages in the form of fees for failure to perform certain requirements.

The fees are categorized as follows:

Standard	\$ 500 per day
High	\$1,500 per day
Critical	\$3,000 per day

Liquidated damages may be charged by the State under this paragraph for each day or partial day the Contractor(s) has failed 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(s) or their agents (example: natural disasters).

1. Unresolved requirements:
 - a. All standard and high category requirements will move to critical level of liquidated damages if not resolved within 48 business hours after notification to the Contractor.
 - b. All critical category requirements will double in liquidated damages if not resolved within 24 hours after notification to the Contractor.
2. Fleet Fuel Card Services:

- a. Issuing cards:
Upon being notified by a Fleet Program Director(s) or Staff that a card or batch of cards were not issues within five business days of the program submitting the request, Contractor will pay to have the cards expedited to the agency. If the cards are not expedited to the agency within two days after the initial notice by the State that the cards were not issued, Contractor will pay liquidated damages.

Category: Standard

- b. Required Electronic Data File Transfer:
Upon being notified by a Fleet Program Director(s) or Staff that the program was not able, through the fault of the Contractor, to download, retrieve or receive any card transaction file, the Contractor will either resolve the situations within 24 hours (excluding weekends or holidays) after notification or pay liquidated damages.

Category: High

- c. Transaction Authorization:
Upon being notified by a Fleet Program Director(s) or Staff that a cardholder was not able to receive an authorization for a transaction due to Contractor system failure, the Contractor will either resolve the situation within two (2) hours after notification so the cardholder may use their card for purchases with a transaction authorization or pay liquidated damages.

Category: Critical

S. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld, conditioned or delayed.

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.

T. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS OF THE STATE OR ANOTHER STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. § 81-145(3), 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.

U. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

Neither ~~Except for the obligation to make payments, 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") that was not foreseeable at the time the Contract was executed. 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.

V. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

W. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract, in whole or in part, at any time.
2. The State, in its sole discretion, may terminate the contract, in whole or in part, for any reason upon thirty (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, in whole or in part, 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 in violation of the agreement,
 - h. Contractor has or announces it will discontinue support of the deliverable; and,
 - i. In the event funding is no longer available.

X. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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;~~
- 3.1. 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,
- ~~4.2. Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;~~
- 5.3. Cooperate with any successor Contractor, person or entity with the transfer of information or data related to this contract,
- 6.4. Return or vacate any state owned real or personal property; and,
- 7.5. 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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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 bidder'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 their 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 request~~ the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			Proposer is enrolled in the E-Verify Program administered by the United States Department of Homeland Security.

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 <https://das.nebraska.gov/materiel/docs/pdf/Individual%20or%20Sole%20Proprietor%20United%20State%20Attestation%20Form%20English%20and%20Spanish.pdf>
2. The completed United States Attestation Form should be submitted with the Request for Proposal 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 (Nonnegotiable)

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 Request for Proposal.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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~~Contractor 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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	<u>U.S. Bank has provided our Certificates of Insurance as an attachment to this response as evidence of our coverages.</u>

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 contractors' 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
XCU Liability (Explosion, Collapse, and Underground Damage)	Included
Independent Contractors	Included
Abuse & Molestation	Included
<i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i>	
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
Motor Carrier Act Endorsement	Where Applicable
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	\$5,000,000 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, via email, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

State of Nebraska Department of Administrative Services
 Attn: Matthew Hansen
 RFP # 6819 Z1
 matthew.hansen@nebraska.gov

Nebraska State Purchasing Bureau
 1526 K Street, Suite 130
 Lincoln, NE 68508

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 and non-renewal of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder/certificate of insurance 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.

H. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

I. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 Request for Proposal 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.

J. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

K. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Nonnegotiable)

1. The State of Nebraska is committed to ensuring that all information and communication technology (ICT), developed, leased, or owned by the State of Nebraska, affords equivalent access to employees, program participants and members of the public with disabilities, as it affords to employees, program participants and members of the public who are not persons with disabilities.

2. By entering into this Contract, Contractor understands and agrees that if the Contractor is providing a product or service that contains ICT, as defined in subsection K.3. (below) and such ICT is intended to be directly interacted with by the user or is public-facing, such ICT must provide equivalent access, or be modified during implementation to afford equivalent access, to employees, program participants, and members of the public who have and who do not have disabilities. The Contractor may comply with this section by complying with Section 508 of the Rehabilitation Act of 1973, as amended, and its implementing standards adopted and promulgated by the U.S. Access Board.
3. ICT means information technology and other equipment, systems, technologies, or processes, for which the principal function is the creation, manipulation, storage, display, receipt, or transmission of electronic data and information, as well as any associated content. Contractor hereby agrees ICT includes computers and peripheral equipment, information kiosks and transaction machines, telecommunications equipment, customer premises equipment, multifunction office machines, software, applications, web sites, videos, and electronic documents. For the purposes of these assurances, ICT does not include ICT that is used exclusively by a contractor.

L. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			U.S. Bank has included a copy of our Enterprise Resiliency Plan Overview for the State's review.

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, 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.

M. DRUG POLICY

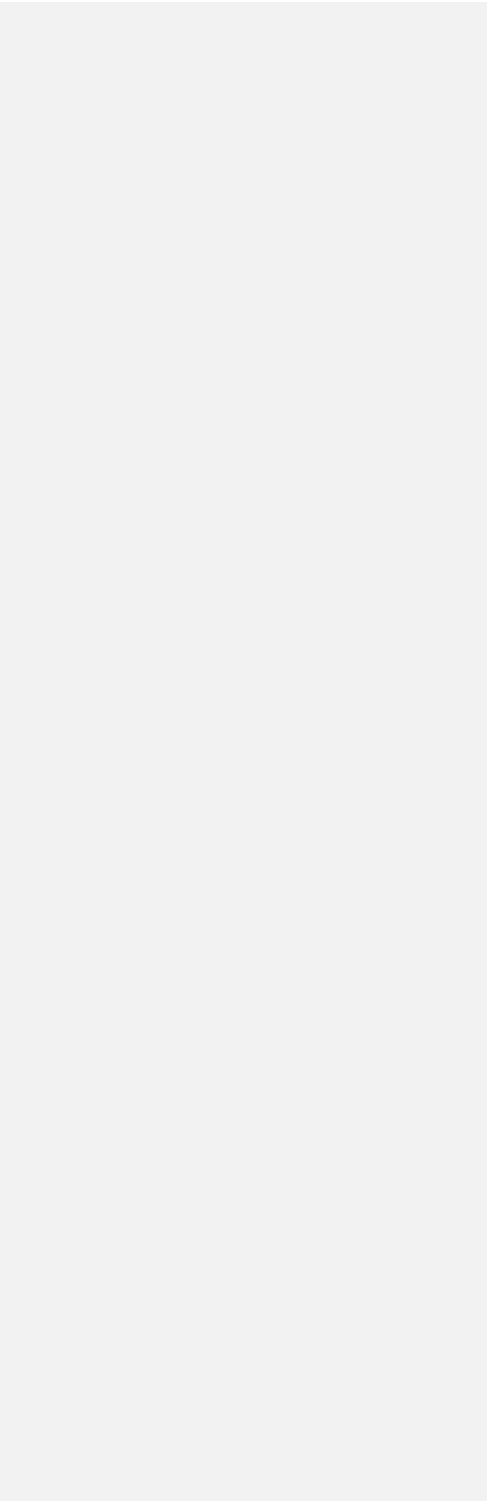
Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Contractor certifies it maintains a drug free workplace 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.

N. WARRANTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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 the State, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse the State all 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.



O. TIME IS OF THE ESSENCE

Time is of the essence with respect to Contractor's performance and deliverables pursuant to this Contract.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Nonnegotiable)

Pursuant to Neb. Rev. Stat. § 81-2403, "[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."

B. TAXES (Nonnegotiable)

The State is not required to pay taxes and assumes no such liability as a result of this Request for Proposal. 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

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Additional Invoicing details are provided in Attachment A. Contact information will be provided to awarded bidder during contract finalization period. 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 shall have forty-five (45) calendar days to pay after a valid and accurate invoice is received by the State.**

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

E. PAYMENT (Nonnegotiable)

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.

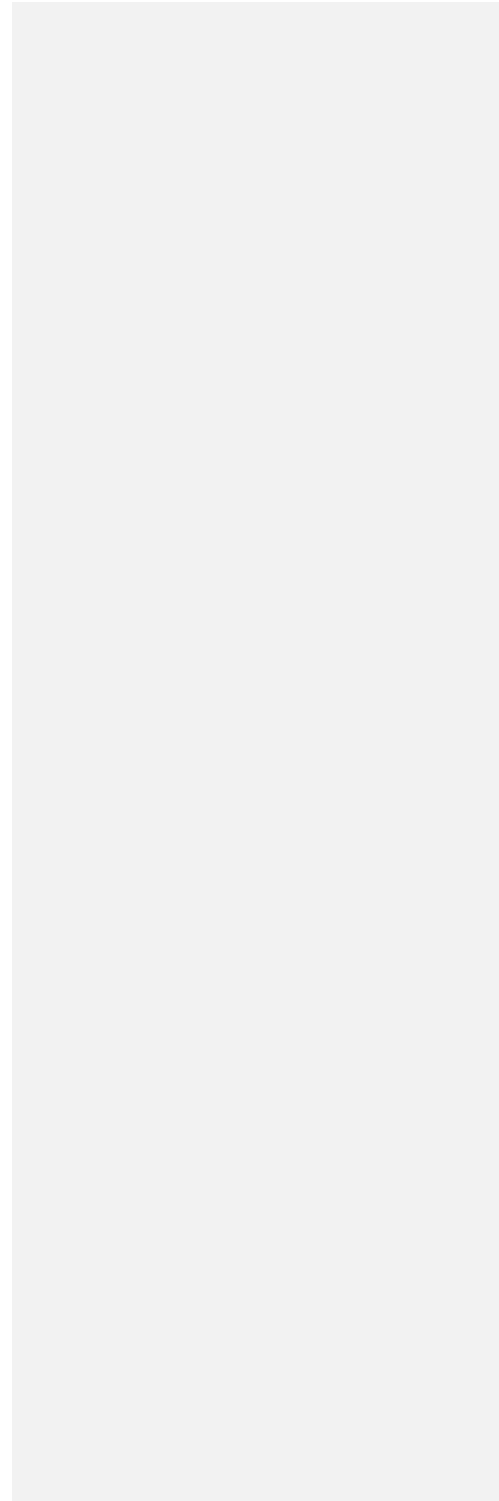
F. LATE PAYMENT (Nonnegotiable)

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).

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS (Nonnegotiable)

The State's obligation to pay amounts due on the Contract for 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 thirty (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.

H. RIGHT TO AUDIT (First Paragraph is Nonnegotiable)

The State shall have the right to audit the Contractor's performance of this contract upon a thirty (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.

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The Parties shall pay their ownthe costs of the any audit it requests unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (0.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety (90) days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this Request for Proposal.

A. PROJECT OVERVIEW

The Nebraska State Treasurer (State Treasurer's Office) is requesting proposals for Fleet Fuel Card Services on behalf of State agencies, governmental entities and political subdivisions that wish to participate under the State's contract.

The State of Nebraska (State) makes no representation that any State agency, municipality, county, or other governmental subdivision will choose to engage these services as the result of this RFP. The combined bidding of all services to the State eliminates the need for additional procurements by individual State agencies. It will be the responsibility of the contractor to contract the cities, counties, and other governmental subdivisions regarding the potential to participate under this contract.

The Fleet Fuel Card Services program will be used to purchase fuel and vehicle related services. As of December 2022, State agencies have approximately 8600 fuel cards and the University has approximately 1200 cards. Currently, there are approximately 2500 cards issued to cities, counties, schools, and community colleges using this contract. Exhibit's 1, 3, 5 and 7 show the transaction history for State Agencies and Exhibit's 2, 4, 6 and 8 show the cities, counties or political subdivisions using the contract. These exhibits show the total transaction dollars, the rebate based on volume, the file turn rebate, along with the total rebate for each agency or entity under the current contract. These represent a historical count and are not a guarantee of future transaction volumes but are provided to benefit the bidders in developing their proposal.

B. PROJECT ENVIRONMENT

The Nebraska Department of Transportation shall administer the fleet card program on behalf of the State agencies. The University of Nebraska Fleet Management will be the point of contact for all University fleet fuel cards.

C. PROJECT REQUIREMENTS

The awarded bidder will be responsible for:

1. Development, testing and implementation;
2. Issuing cards, using unique card numbers;
3. Electronic data file transfer.

D. BUSINESS REQUIREMENTS

Each bidder is responsible to research Nebraska Revised Statutes for their legal responsibilities when doing business with the State. Reference to certain State statutes and the Nebraska Constitution are provided in the RFP but are not all inclusive to the legal requirements of the selected contractor.

1. Neb. Rev. Stat. § 73-506(1) – The State cannot pay for deliverables not received
2. Neb. Rev. Stat. § 73-506(2) – Service contracts with unspecified or unlimited duration
3. Nebraska State Constitution, Article XIII, §3 – Prohibits indemnification and limitations of liability.

E. SCOPE OF WORK

1. BASIC REQUIREMENTS

- a. Each card must be printed with the account number, vehicle or equipment identification number, name of agency, and Nebraska tax exempt number.
- b. Card must be assigned to vehicles, not to a driver.
- c. The State of Nebraska and the University of Nebraska are exempt from all State and Federal sales and excise taxes. The University of Nebraska is exempt from sales tax in NE, FL, IL, KS, MA, MO, ND, and TX. Vendors are to omit these taxes from the billing/invoice.
- d. The vendor must pay for any necessary software updates for:
 - i. Batch file processing;
 - ii. Driver authorization;
 - iii. Uploading fuel conversion codes, and;
 - iv. Uploading card authorization to GASBOY systems.
- e. Card must be capable of privatizing (for internal transaction processing).

- f. Program should be in place by April 1, 2024.
- g. Soft rubber/neoprene card hold key rings should be provided at no cost.
- h. New or replacement cards must be free and include free shipping and tracking information when cards are shipped.
- i. Replacement cards will be issued within five (5) business days.
- j. Administrators of the programs can unlock cards as well as the contractor.
- k. Historical information must be stored for three (3) years after the contract expires.
- l. Initial cards must be issued by program administrators.
- m. The contractor must ensure privacy and security for all data in their environment .
- n. Toll free customer service available 24x7, 365 days per year.
- o. Level III data capture capabilities and reporting, as listed on Exhibit 7.
- p. Redundant systems.

2. STATE OF NEBRASKA PROGRAM

- a. Ordering new or replacement cards will be restricted to the Fuel and Credit Card Systems Manager and their staff at the Nebraska Department of Transportation.
- b. State ID number will be a five (5) digit number.
- c. Contractor must be willing to stagger the deployment of cards, as the State has many expiration dates.
- d. Custom cards must be provided.
- e. State agency drivers are allowed up to five (5) transactions per day, State refueling sites are not included.
- f. State invoices will be received no later than Wednesday for the prior week transactions, received electronically and paid within 10 business days after the file has been received.

3. UNIVERSITY OF NEBRASKA PROGRAM

- a. Ordering new or replacement cards will be restricted to the Fleet Management Director and Fleet Management Administrative Staff.
- b. University ID number will be a six (6) digit number.
- c. Noncustom plastic will be provided.
- d. Contractor must be willing to provide the University with one expiration date on all cards.
- e. University drivers are allowed up to three (3) transactions a day.
- f. University invoices will be received weekly and sent electronically.

F. FUNCTIONAL REQUIREMENTS

Bidders must address the functional requirements in Attachment A, Forms A.2 – A.4

G. PROPOSED RESOLUTION

The State expects the awarded bidder to meet or exceed the levels of services currently provided. Additional details on current service levels and expectations provided in Attachment A. The contractor will work with the State and University staff to research and correct problems in a timely and professional manner throughout the entire contract.

H. PERFORM IMPLEMENTATION

Bidder must provide a detailed description of the implementation process, including a detailed test plan and a sample implementation timeline giving estimated lengths of time. Awarded bidder will be responsible to fully cooperate with current Contractor, State, and University during all phases of the implementation/transition.

I. DELIVERABLES

Bidder should provide a copy of all agreements required to initiate all services listed in this RFP. Bidder agreements shall be edited to include only the services requested in this RFP and not contain language conflicting with the RFP, State law and Section II. Terms and Conditions of the RFP. The rebate proposal should be included with these agreements. This information can be included as a separate section labeled "Deliverables". The bidder understands that alternative terms and conditions may be rejected by the State.

VI. PROPOSAL INSTRUCTIONS

This section documents the requirements that should be met by bidders in preparing the Technical and Rebate Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Rebate Proposal are presented separately in the following subdivisions: format and order:

A. PROPOSAL SUBMISSION

1. FINANCIAL STABILITY

The bidder must have financial stability to do business with the State of Nebraska for the length of the contract.

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 statement 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.

Financial stability will be determined by the State Accounting Administrator based on a totality of the circumstances of the firm including, but not limited to,

- a. Total equity,
- b. Equity as a percent of assets,
- c. Cash flow,
- d. Debt coverage ratios,
- e. Earnings,
- f. Analyst opinions,
- g. Pending and potential lawsuits, regulatory actions taken or pending against the firm,
- h. Compliance with regulatory capital requirements,
- i. Management stability,
- j. and other information bearing on the question of whether the firm is financially stable at the present time and can reasonably be expected to be financially stable through the term of the contract.

2. 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.

b. 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.

c. 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.

d. 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.

e. 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 bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

f. 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 bidder or litigated and such litigation determined the bidder 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.

g. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this Request for Proposal 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:

- i. Provide narrative descriptions to highlight the similarities between the bidder's experience and this Request for Proposal. 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 bidder 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.
- ii. Bidder and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as subcontractor projects.

- iii. If the work was performed as a subcontractor, the narrative description should identify the same information as requested for the bidders above. In addition, subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a subcontractor.

h. 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 Request for Proposal. 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 bidder's understanding of the skill mixes required to carry out the requirements of the Request for Proposal 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.

i. 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.

3. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. Understanding of the project requirements;
- b. Proposed development approach;
- c. Technical considerations, including Attachment A;
- d. Detailed implementation plan; and
- e. Rebate Proposal.

Form A
Bidder Proposal Point of Contact
Request for Proposal Number 6819 Z1

Form A should be completed and submitted with each response to this Request for Proposal. 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:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

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:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

Form B
Notification of Intent to Submit Proposal
Request for Proposal Number 6819 Z1

Bidder Name:	
Bidder Address:	
Contact Person:	
E-mail Address:	
Telephone Number:	
Fax Number:	

The "Notification of Intent to Attend Pre-Proposal Conference" form should be uploaded using the ShareFile link provided in the RFP Schedule of Events, Section I.C.

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 Request for Proposal and agrees to the terms and conditions unless otherwise indicated in writing, certifies that contractor maintains a drug free workplace, and certifies that bidder is not owned by the Chinese Communist Party.

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.

____ 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 MANUALLY IN INK OR BY DOCUSIGN

BIDDER:	
COMPLETE ADDRESS:	
TELEPHONE NUMBER:	
FAX NUMBER:	
DATE:	
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	



usbank.com

U.S. Bancorp Enterprise Resiliency Program General Release Statement

The Enterprise Resiliency Program ("Program") establishes and supports the U.S. Bancorp ("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 and reporting on the threat landscape and effectiveness of the control environment; and leading emergency response teams.

This Program ensures the 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 Managing 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 business, technology, and third party resiliency 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 drives the appropriate third party outage and recovery planning by evaluating the risks associated with mission critical third parties. The potential risks may include processes the third party performs or technology they provide.
- Threat Vulnerability Assessment ("TVA") assesses 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 and technologies executed at those locations.

Results of these risk analysis activities drive strategic recovery planning for continuity of operations for these processes. A Third Party Resiliency Assessment 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 maintains established 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, 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 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 out of the impacted area to another location 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, is used to process data and 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.

IT Resiliency Response Plans

Company's technology infrastructure is designed and implemented to ensure high availability and 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 replicated to an out of region data center.

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

IT Resiliency Plans are reviewed and approved annually.

Third Party Provider Outage Response Plans

Third Party Provider Outage Response Plans (Vendor Service Plans) are developed and maintained as a pre-planned response for mitigating and minimizing business impact when third party service(s) become impaired or unavailable because of an adverse event. Vendor Service Plans include but are not limited to the processes and procedures used for communicating, performing alternative or interim service continuity strategies, and for validating the resumption of services.

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 a pandemic 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 Company's existing 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 effectiveness and process/technology recoverability. Exercise scenarios include business continuity plan 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 technology resiliency.

Enterprise Resiliency Policy requires business continuity and vendor service plans to be exercised on an annual basis. Technology resiliency 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 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 consists 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 a Customer's product or service, a member of the Commercial Customer Support Team will communicate with the Customer in a timely manner. It is impossible to anticipate every type of potential disaster, and so the Company cannot provide assurance that there will be no interruption of 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.



Request for proposal for contractual services form

U.S. Bank has provided our complete and fully executed form on the following page.

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 Request for Proposal and agrees to the terms and conditions unless otherwise indicated in writing, certifies that contractor maintains a drug free workplace, and certifies that bidder is not owned by the Chinese Communist Party.

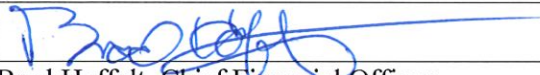
Per Nebraska's Transparency in Government Procurement Act, Neb. Rev Stat § 73-603 DAS is required to collect statistical information regarding the number of contracts awarded to Nebraska Contractors. This information is for statistical purposes only and will not be considered for contract award purposes.

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 MANUALLY IN INK OR BY DOCUSIGN

BIDDER:	U.S. Bank National Association
COMPLETE ADDRESS:	200 South 6th Street Minneapolis, MN 55402
TELEPHONE NUMBER:	866-274-5898
FAX NUMBER:	612-436-6490
DATE:	October 17, 2023
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	Brad Hoffelt, Chief Financial Officer

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VOYAGER FLEET PROGRAM AGREEMENT

This Voyager Fleet Program Agreement ("**Agreement**") is between U.S. Bank National Association ("**U.S. Bank**") and **Legal Entity Name of Customer** a [State] [Corporation, LLC, LLP] ("**Customer**"). This Agreement is effective upon signing by U.S. Bank ("**Effective Date**")

Recitals

- A.** U.S. Bank offers (i) commercial charge cards and accounts in the United States collectively referred to as the "**Program**" and (ii) its Voyager Maintenance Solution ("VMS Services" defined below); and
- B.** Customer desires to utilize the Program and have access to the VMS Services.

Now, therefore, for and in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Customer and U.S. Bank agree to the following:

1. Term; Commencement Date; Rebate Period.

Term	Commencement Date	Rebate Period
Five Years	First day of first month following Effective Date or if the Effective Date is on the first day of the month, beginning on that day	Each 12-month period, with the first period beginning with the Commencement date

2. [Reserved]

3. [Reserved]

- 4. Rebate Payment Registration.** Customer must register for ACH payments in the manner prescribed by U.S. Bank. U.S. Bank will not make any rebate payments until Customer has registered for ACH. If Customer fails to register for ACH by the date upon which a rebate is due, Customer forfeits payment of such rebate. Customer designates the following person to register Customer for ACH:

Rebate Payment Registration	
a) Authorized Person's Name	
b) Authorized Person's Email Address	

- 5. Interchange Rate.** U.S. Bank may modify the rebate calculations or values set forth in sections 2 and 3, if existing interchange rates or programs are modified or new interchange rates or programs are developed.

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6. Fees.

6.1 The fees listed below apply to this Agreement. Failure of U.S. Bank to apply any fee outlined in this Agreement at any time does not preclude U.S. Bank from ever applying such fee. U.S. Bank reserves the right to change fees upon 30 days prior notice to Customer. Fees identified as recurring monthly are billed on the first statement of the month.

fees	
description	fee, per Account or occurrence
monthly card fee, 1 – 25 Cards	\$ 2.00
monthly card fee, 26 – 100 Cards	\$ 1.75
monthly card fee, 101 – 200 Cards	\$ 1.50
monthly card fee, more than 200 Cards	\$ 0.00
VMS Service transaction fee	\$ 1.00
Non-Financial Transaction at Private Sites	\$ 0.20
monthly Fleet Commander Online data analytics fee (if subscribed)	\$200
insufficient funds	\$ 20.00
custom card logo (design provided by Customer) ¹	\$300.00
expedited delivery	\$ 20.00
Inactive Card Fee	\$4.00 per card per period
paper statement or report	\$ 4.95
returned check	\$ 35.00
stop payment	\$ 20.00
late fee	3.5% of average daily balance
foreign transaction fee	3.0%

Customer is solely responsible for determining whether to conduct a transaction as a VMS transaction or a standard Voyager Card transaction if the merchant in question is both a merchant that accepts the Voyager Card and a VMS Merchant. The fees applied to a particular transaction may be impacted by the type of program selected to conduct such transaction.

6.2 Calculation of Late Fee. U.S. Bank will calculate the late fee per Billing Cycle by multiplying the average daily balance (“**ADB**”) by 3.5%. To calculate the ADB, U.S. Bank will add the beginning balance on Customer’s Account each day to any debits and any new Charges from the date of posting (if the new balance is not received), and subtract any payments or credits, returned check fees, and unpaid late fees. The result will be the daily balance. U.S. Bank will then add all the daily balances for the Billing Cycle and divide by the total number of days in the Billing Cycle. The result will be the ADB.

6.3 Inactive Card Fees. The Inactive Card Fee is applied to each “inactive card” -- a Card that has no purchase activity on it during a 12-month period. The use of a Card or the imposition of an Inactive Card Fee will start the calculation of a new 12-month period, meaning that the Inactive Card Fee cannot be assessed more than once a calendar year.

¹ Due to market conditions, custom plastics may not be immediately available.

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7. **Notices.** Parties will make all notifications, consents, or approvals required under this Agreement in writing unless otherwise expressly stated to the contrary. The parties will deem any required notices received either: (i) two days after the date of mailing if sent by registered or certified mail, return receipt requested; or (ii) one day after the date of mailing if sent by a national overnight courier service to either of the addresses indicated below.

To Customer:

Customer's Full Legal Name
Physical Address (No PO Box)
Physical Address (No PO Box)
City, State, Zip, Country
Attn:

To U.S. Bank:

U.S. Bank National Association
Corporate Payment Systems
Mail Code EP-MN-A17S
901 Marquette Ave.
Minneapolis, MN 55402, U.S.A.
Attn: CPS Contract Manager

8. **Governing Law and Venue.** The laws of the state of Minnesota and applicable federal laws and regulations of the United States apply to any dispute arising out of this Agreement, its subject matter, or its formation. Any dispute or claim arising out of or related to this Agreement must be brought before a state or federal court located in Minneapolis, Minnesota.

9. **Incorporation.** The following are incorporated herein by reference:

9.1 **Recitals**

9.2 **Exhibit A - Terms and Conditions**

[Signatures on Following Page]

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10. AUTHORIZATION AND EXECUTION. This Agreement may be executed and delivered by the parties electronically, and fully executed electronic versions of this Agreement, or reproductions thereof, will be deemed to be original counterparts.

The signer represents and warrants that (i) he or she is authorized by an applicable organizational document or other corporate authority to enter into all transactions contemplated by this Agreement, and (ii) the signatures appearing on all supporting documents of authority are authentic.

Reserved for Signatures

SAMPLE

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EXHIBIT A VOYAGER FLEET PROGRAM TERMS AND CONDITIONS

These Voyager Fleet Program Terms and Conditions set forth the rights and obligations of Customer and U.S. Bank.

1. DEFINITIONS.

- 1.1 **"Account"** means an account under this Agreement consisting of one or more Cards.
- 1.2 **"Agreement Year"** means a 12-month period beginning with the first day of the first calendar month following the Effective Date of this Agreement or if this Agreement was signed on the first day of the month, beginning on that day.
- 1.3 **"Billing Cycle"** means the period of time from the date a Statement is generated until the date when the next Statement is generated.
- 1.4 **"Card"** means a U.S. Bank Voyager Mastercard Fleet Card, a U.S. Bank Voyager Fleet Card, or a commercial account number, regardless of the medium, issued pursuant to this Agreement.
- 1.5 **"Card Network"** means Mastercard International Incorporated whose marks are contained on the Cards issued under this Agreement or any other such national card network with respect to which U.S. Bank becomes an issuer during the term of this Agreement.
- 1.6 **"Charge"** means either a Mastercard Charge or a Voyager Charge.
- 1.7 **"Charge-off"** means any amount due and owing to U.S. Bank by Customer related to this Agreement that is classified as a charge-off under U.S. Bank's then applicable accounting policies.
- 1.8 **"Charge-off Adjustment"** means the difference between Charge-offs and one-half of Charge-off Recoveries.
- 1.9 **"Charge-off Recovery"** means an amount equal to any monetary recovery related to a Charge-off.
- 1.10 **"Combined Discount Charge Volume"** means for an applicable Rebate Period, the sum of the Net Mastercard Discount Charge Volume and the Net Voyager Discount Charge Volume.
- 1.11 **"Combined Standard Charge Volume"** means for an applicable Rebate Period, the sum of Net Mastercard Standard Charge Volume and the Net Voyager Standard Charge Volume.
- 1.12 **"Discount Interchange Rate Program"** means an interchange rate program where the rates assessed on particular transactions are less than standard rates. Subcategories subject to differentiated discount volume percentage include transactions processed on large ticket program indicators and transactions assessed at network negotiated rates, all as reasonably determined by U.S. Bank. Transactions subject to Discount Interchange Rate Programs may change from time to time without notification to Customer.
- 1.13 **"File Turn Days"** means the number of days from the date U.S. Bank posts a Charge to the date of payment, inclusive of the beginning and ending dates.
- 1.14 **"File Turn Days Payment Performance"** means the weighted average File Turn Days for each Rebate Period.
- 1.15 **"Fleet Commander Online"** means U.S. Bank's proprietary online management software for the Program.
- 1.16 **"Identification Information"** means legal names, physical street addresses, taxpayer identification or business numbers, dates of birth, or other information or documentation required by U.S. Bank to confirm the identity of any entity or person.
- 1.17 **"Intellectual Property"** or **"Intellectual Property Rights"** means any patent rights, inventions, design rights copyrights, database rights, trade secrets, trade names, trademarks, service marks, moral rights, know-how and any other similar rights or intangible assets recognized under any laws or international conventions, and in any country or jurisdiction in the world, as intellectual creations to which rights of ownership accrue, and all registrations, applications, disclosures, renewals, extensions, continuations or reissues of the foregoing now or hereafter in force.
- 1.18 **"Mastercard Charge"** means a monetary transaction with a debit value to an Account processed on the Mastercard Card Network.
- 1.19 **"Net Mastercard Discount Charge Volume"** means all Mastercard Charges set forth on the Statements furnished for the Accounts in the applicable Rebate Period that qualify for and have

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applied to them a Discount Interchange Rate Program, less credits for Mastercard Charges, and net of Mastercard Charge Charge-off Adjustments for the same Rebate Period. All other Charges, fees, fraudulent charges, and chargebacks are excluded from Net Mastercard Discount Charge Volume.

- 1.20 **"Net Mastercard Standard Charge Volume"** means all Mastercard Charges set forth on the Statements furnished for all Accounts in a Rebate Period other than those Mastercard Charges qualifying for and having applied to them Discount Interchange Rate Programs, less, without duplication each of the following categories to the extent that they relate to Mastercard Charges: fees, fraudulent charges, chargebacks, and net of Charge-off Adjustments, all in the same Rebate Period.
- 1.21 **"Net Voyager Discount Charge Volume"** means all Voyager Charges set forth on the Statements furnished for the Accounts in the applicable Rebate Period that qualify for and have applied to them a Discount Interchange Rate Program, less credits for Voyager Charges, and net of Voyager Charge Charge-off Adjustments for the same Rebate Period. All other Charges, fees, fraudulent charges, and chargebacks are excluded from Net Voyager Discount Charge Volume.
- 1.22 **"Net Voyager Standard Charge Volume"** means all Voyager Charges set forth on the Statements furnished for all Accounts in a Rebate Period less, without duplication, each of the following categories to the extent that they relate to Voyager Charges: Non-Financial Transactions at Private Sites, fees, fraudulent charges, chargebacks, Voyager Maintenance Solution Volume, Charges qualifying for discount interchange rates or discount merchant fees, and net of Charge-off Adjustments, all in the same Rebate Period.
- 1.23 **"Non-Financial Transaction"** means a transaction using a Card where U.S. Bank does not (i) pay or reimburse a merchant for the value of the goods or services in such transaction, or (ii) charge or retain from merchants in amounts that are based on defined transaction fees or a percentage of the retail dollar value, less any merchant rebates.
- 1.24 **"Obligations"** means all Charges, fees, and other activity posted to an Account.
- 1.25 **"Private Site"** means a private fueling site that is owned or operated by a fleet owner or a fuel distributor and limited to use by commercial or public sector fleets for vehicle fueling.
- 1.26 **"Participant"** means any entity that Customer authorizes and U.S. Bank approves for participation in the Program that is wholly or majority owned or controlled (which is at least 51% or more of voting rights) by Customer.
- 1.27 **"Rebate Period"** has the meaning assigned to such term in Section 1 of the Fleet Program Agreement.
- 1.28 **"Statement"** means, with respect to one or more Accounts, a periodic listing of all Obligations.
- 1.29 **"VMS Services"** means the maintenance service program developed by U.S. Bank and certain third parties accessible on Fleet Commander Online that integrates an approval process, spend controls and reporting concerning a fleet's maintenance transactions conducted with participating merchants ("**VMS Merchants**") without the use of a physical Voyager card but invoiced as part of the Voyager Program. For the avoidance of doubt, maintenance services paid for using a physical Voyager card shall not be considered part of the VMS Services.
- 1.30 **"Voyager Charge"** means a monetary transaction with a debit value to an Account processed on the Voyager Network.
- 1.31 **"Voyager Maintenance Solution Volume"** means Voyager Charges set forth on the Statements furnished for all Accounts in a Rebate Period for transactions of VMS Services.
- 1.32 **"Voyager Network"** the payment network owned and operated by U.S. Bank under which transactions on Cards and Accounts bearing U.S. Bank's Voyager logo are processed and reported.

2. PRODUCTS AND SERVICES.

- 2.1 **Provision of Services; Agreement of Payment.** U.S. Bank operates the Program pursuant to which it issues Cards and Accounts at the direction of Customer which can be used at merchants to purchase certain categories of products. U.S. Bank, on and after a date provided to Customer, will also offer Customer the opportunity to use the VMS Services. Customer desires to participate in the Program and to have the opportunity to use the VMS Services and U.S. Bank agrees to allow Customer to participate in the Program and VMS Services, all in

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accordance with the terms contained herein. In connection with the Program and the VMS Services, U.S. Bank agrees to provide Customer access to its fleet web interface, currently the Fleet Commander Online – an online portal that allows Customer to, among other things, review and pay Statements, establish and modify spend controls, and obtain various reports. Customer may also elect to obtain access to Fleet Commander Online’s enhanced services, including Fleet Commander Online Data Analytics and future-developed products or services (collectively, the “**Enhanced Services**”). Access to the Enhanced Services is subject to the payment of all applicable fees as may be set forth in the Fee table in Section 6 of the Fleet Program Agreement or those later promulgated for future-developed Enhanced Services. The Enhanced Services are provided on an “as is” basis and U.S. Bank expressly disclaims all warranties, express or implied, including merchantability and fitness for a particular purpose with respect to the Enhanced Services. Customer is solely responsible for any use of the data generated by the Enhanced Services. Subject to the terms contained herein, Customer agrees that it is responsible for all of its Obligations or those incurred at a Participant’s direction. Customer acknowledges that there is no guaranty as to whether a particular merchant is a VMS Merchant and that changes of VMS Merchants may occur without notice to Customer.

2.2 Billing and Payment. Customer will receive an electronic Statement at the end of each Billing Cycle itemizing all Obligations and payments for that Billing Cycle. The balance shown on the Statement is due to U.S. Bank before the end of the next Billing Cycle. Customer shall pay U.S. Bank using a payment method approved by U.S. Bank. If the amount owing under an Account has not been paid in full when due, the Account is delinquent and U.S. Bank may suspend such Account. U.S. Bank may close an Account if the Account remains delinquent as of the completion of the second Billing Cycle after the Statement date. Customer shall communicate disputes or alleged errors on Statements within 60 days after the date on the Statement on which a disputed entry first appeared. Such communication of a dispute must contain the specific items in dispute and the basis for such dispute in accordance with Card Network operating rules and regulations. Depending on the type of Charge, failure to provide this notification within the stated time frame may result in Customer being liable for all and any losses incurred. U.S. Bank may recover any reasonable legal fees and other expenses incurred in collecting any delinquent amounts on a closed Account. If an Account or Card is used for Mastercard Charges in a currency other than the billing currency, the amount shown on the Statement for that Charge will be shown as a single amount that is the aggregate of (i) the amount of the Mastercard Charge converted, in each case at the applicable exchange rate to the billing currency from the currency in which the Mastercard Charge was made and (ii) the “Foreign Transaction Fee” on such amount as set forth in the Fee Schedule included in this Agreement. Due to fluctuations in foreign exchange rates, a credit may not be the same amount as the original Mastercard Charge.

2.3 Card Issuance. Customer will have the option pursuant to this Agreement to issue Cards as either (i) Voyager Cards on which Voyager Charges can be made or (ii) on and after a date provided to Customer, cobranded Mastercard and Voyager Cards on which Voyager Charges (or Mastercard Charges if enabled) may be made. No Mastercard Charges may be made on a Card until (i) the appropriate changes to merchant category codes for Mastercard Charges are made through Fleet Commander Online and (ii) the Mastercard number on the applicable Card has been activated. If Customer elects to have only Voyager Cards or elects not to have the Mastercard Charge functionality enabled on one or more Accounts or Cards, then the terms contained herein regarding Mastercard Charges shall not apply to those Cards or Accounts. At any time after the Mastercard Charge functionality is enabled, Customer may elect to disable such functionality through Fleet Commander Online. Customer shall only be permitted to request the issuance of Cards in the name of the following parties: (i) in Customer’s or Participant’s own name (including a vehicle owned or leased by Customer or a Participant); provided, however, that a Mastercard Card issued in this manner must be issued to a vehicle, (ii) in the name of any Customer or Participant employee, (iii) in the name of any individual that is acting directly or indirectly as an independent contractor of Customer or Participant and, (iv) in the name of any other individual provided on a temporary basis and so long as such individual has a bona fide connection to Customer or Participant. Customer shall not request the issuance of Cards for its subsidiaries (or employees of such subsidiaries) that are not

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Participants. U.S. Bank may refuse to issue a Card to any party that cannot satisfy U.S. Bank's regulatory requirements referenced in section 12.1 (Compliance with Applicable Statutes and Regulations) herein.

- 2.4 Applicable Network.** All transactions are intended to be processed as Voyager Charges and pursuant to the Voyager Network unless the Voyager Network is unavailable for a particular transaction. In the event the Voyager Network is unavailable for a particular transaction, such transaction may be processed as a Mastercard Charge pursuant to the Mastercard Card Network if such Card was issued with the capabilities of making a Mastercard Charge (and provided that the Mastercard functionality has not been disabled for such Card by Customer). U.S. Bank has directed each Voyager Network merchant to process all transactions as Voyager Charges, but U.S. Bank shall have no liability if a Voyager Network merchant fails to follow such direction and conducts a transaction as a Mastercard Charge.
- 2.5 Exclusivity.** U.S. Bank will be the sole provider to Customer and its Participants of Cards designed primarily for use at fueling stations or maintenance facilities. Customer shall provide an officer's certificate to U.S. Bank within 30 days of the completion of each Agreement Year certifying Customer and its Participants were and shall continue to be in compliance with this exclusivity requirement.
- 2.6 Liability.**
- (a) Voyager Charges.** Customer is solely liable to U.S. Bank for all Voyager Charges, even if Customer has implemented any of the loss-minimization tools described in section 2.7 (Minimizing Loss). U.S. Bank is not liable for: (i) misuse of an Account or Card or any related expenses by the cardholder; (ii) transactions that occur at Private Sites; (iii) any unauthorized or fraudulent Voyager Charges that were not immediately reported as lost, stolen or compromised, unless notified as described in 2.8 (Mandatory Notification) or (iv) Voyager Charges declined or approved, as a result of inaccurate merchant category codes used by a merchant.
 - (b) Mastercard Charges.** Customer's liability for unauthorized Mastercard Charges is subject to the terms of the Card Network operating rules and regulations. Customer's liability for unauthorized Mastercard Charges may vary depending upon whether Customer complied with the notification requirements set forth in Section 2.8 below.
 - (c) Minimum Card Issuance.** Customer agrees to have at least 10 Cards issued under the Program and expressly waives any rights it may have under Section 15 U.S.C. §1643 related to fraudulent Charges.
 - (d) Trailing Transactions.** Upon cancellation or suspension of an Account, Card, or termination of this Agreement, Customer shall cancel the billing of all reoccurring transactions to an Account. U.S. Bank is not liable for any reoccurring transactions Customer has failed to cancel.
- 2.7 Minimizing Loss.**
- (a) Point-of-Sale Prompts.** Customer must set point-of-sale prompts for (i) driver identification number, (ii) vehicle identification number, or (iii) a customizable numeric ID all applicable Cards. The customizable numeric ID cannot be any sequence of numbers that appear on the front of the card. If the Customer does not establish these point-of-sale prompts for each applicable Card and require proper use of the prompts by employees, agents and authorized users of the Card, U.S. Bank may in its sole discretion decline the transaction; and Customer shall be liable for any fraudulent activity on the Card.
 - (b) Account Controls.** Customer shall protect Cards and Accounts at all times and set controls described in this Section on each Card and Account, as applicable. At a minimum, the controls will include a daily number of transactions limit, a daily dollar spend limit and a monthly dollar spend limit. Customer must (i) set each limit to all Cards or Accounts (provided different limit amounts can be set to different Cards/Accounts), and (ii) for cobranded Cards, create a sublimit within each such established limit on a Card or Account for fuel transactions conducted as Voyager Charges (for example a daily dollar spend limit of \$500 for all charges on the Card, with a fuel sublimit of \$200). Customer must also set geographic controls if operating in fewer than 50 states, day-of-week controls if operating fewer than 7 days per week, and time-of-day controls if operating fewer than 24 hours per day. If Customer fails to set the minimum controls described in this Section or changes or releases any controls set by U.S. Bank, Customer will be liable for all fraudulent transactions

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on the Cards or Accounts. In its sole discretion and without prior notice to Customer, U.S. Bank may set or adjust controls on Cards and Accounts based on similar accounts of other U.S. Bank customers and Customer's prior spend patterns.

- (c) **Safekeeping and Security.** Customer must ensure that all Cards, Accounts and any other access devices are carefully safeguarded and stored separately from the customizable numeric IDs and codes and will take all reasonable precautions to ensure that only persons with appropriate authorization have been given access to Cards and Accounts. U.S. Bank may close, without notice, any Card or Account that has not been used for six months or more.

- 2.8 Mandatory Notification.** Customer shall immediately notify U.S. Bank, in writing to U.S. Bank's email address for fraud notices, of (i) termination of employment of any employee or removal of an agent or authorized user or Participant from the Program; (ii) lost, stolen, or compromised Cards, Accounts and any other access device; (iii) suspected or actual breach, or misuse of a Card or Account or information regarding Cards, Accounts or other sensitive information; and (iv) termination or closure of a Card or Account. Customer shall take all necessary action through the available on-line tools under the Program to terminate the Accounts of any party that would not qualify for the issuance of a Card as set forth in section 2.3 (Card Issuance). Customer is liable for fraudulent Voyager Charges, incurred prior to the time that Customer provides the required mandatory notification and terminates access as stated herein.

- 2.9 Merchant Category Codes.** All Mastercard Charges will be limited to select, fleet-related merchant category codes; provided, however, that Customer may elect to allow additional Mastercard Charges within a select, preapproved set of merchant category codes determined by U.S. Bank in its sole discretion. Such additional merchant category codes include, but are not limited to, hotels, car rentals, and restaurants. In the event Customer elects to allow Mastercard Charges for such additional merchant category codes, Customer may not block particular merchants or codes within the select, preapproved set of merchant category codes. Customer may elect to allow or disallow these additional merchant category codes at any time within Fleet Commander Online.

3. CREDIT.

- 3.1 Financial Information.** Customer shall provide its fiscal year-end financial statements as soon as available, but not later than 120 days following the end of Customer's fiscal year. Customer shall provide additional information, upon request by U.S. Bank, regarding the business, operations, affairs, and financial condition of Customer including reviews or audits of fiscal year-end financials performed by certified public accountants and Customer prepared quarterly financial statements.

- 3.2 Credit Controls.** U.S. Bank, at its sole discretion, may revise any credit limits or controls associated with the Program. Customer shall, within ten days of receiving notice, make a payment to U.S. Bank sufficient to reduce the amount outstanding to an amount equal to or less than any revised credit limit.

4. SECURITY AND CONFIDENTIALITY.

- 4.1 Security. "Secured Information"** means information regarding Cards, Accounts, passwords, personal identification numbers and other sensitive information or Confidential Information of either party.

- (a) Either party may receive or otherwise have access to Secured Information and must implement or maintain an information security program designed to (i) ensure the security, integrity and confidentiality of Secured Information; (ii) protect against any anticipated threats or hazards to the security or integrity of such Secured Information; (iii) protect against unauthorized access to or use of such Secured Information that could result in harm to the person or entity that is the subject of the Secured Information; and (iv) ensure the proper disposal of such Secured Information.

- (b) U.S. Bank will maintain physical, electronic, and procedural safeguards designed to (i) maintain the security and confidentiality of Identification Information; (ii) protect Identification Information against anticipated threats or hazards to the security or integrity

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of Identification Information; and (iii) prevent unauthorized access to or use of such Identification Information that could result in harm or inconvenience to Customer.

- (c) Customer will safeguard Secured Information provided by U.S. Bank in a manner that is no less stringent than those applicable to Customer's own proprietary information.
- (d) At a minimum, Customer will install and maintain commercially reasonable cybersecurity defenses against any feature, routine, or device that (i) is intended or designed to disrupt the operation of any software or system, including any timeout functionality; (ii) causes any U.S. Bank owned or licensed materials, software, or system to be destroyed, altered, erased, damaged or otherwise made inoperable; or (iii) permits any person or entity to destroy, alter, erase, damage or otherwise render inoperable any U.S. Bank owned or licensed materials, software, or system, including, but not limited to, any cyber-attacks such as any computer virus, trap door, back door, time bomb, or malicious program. Furthermore, Customer will perform routine hygiene on its systems to ensure appropriate use of software locks, routine password checking and central processing unit serial number checking.

4.2 Confidentiality.

- (a) **Confidential Information.** Each party may have access to and each party may provide to the other party information that the owner of such information regards as confidential or proprietary. **Confidential Information** includes information of a commercial, proprietary or technical nature whether now in existence or hereafter created. Confidential Information includes, but is not limited to, the following: (i) information marked as "**confidential**" or similarly marked, or information that a party should, in the exercise of reasonable judgment, recognize as confidential; (ii) Intellectual Property of each party; (iii) Identification Information (iv) the business, financial or technical information of the each party and its respective affiliates; (v) each party's objectives, materials, financial results, technological developments and other similar proprietary information and materials; and (vi) notes, memoranda, analyses, compilations, studies and other documents, whether prepared by either party or for either party, which contain or otherwise reflect Confidential Information.

- (b) **Exceptions.**

- (i) **General Exceptions.** Confidential Information does not include information that (i) is already rightfully known to the receiving party at the time it obtains Confidential Information from the disclosing party; (ii) is or becomes generally available to the public other than as a result of disclosure in breach of this Agreement or any other confidentiality obligations; (iii) is received on a non-confidential basis from a third party reasonably believed to be authorized to disclose such information without restriction and without breach of this Agreement; (iv) is contained in, or is capable of being discovered through examination of, publicly available records or materials; or (v) is developed by U.S. Bank or Customer without the use of any proprietary, non-public information provided by the other party.

- (ii) **U.S. Bank Exceptions.** U.S. Bank may (i) use and disclose Customer's Confidential Information to the extent necessary to maintain compliance with network rules established by U.S. Bank related to the Program; (ii) use and disclose Customer's Confidential Information to the extent necessary to maintain compliance with Card Network operating rules and regulations; or (iii) use and disclose non-identifying data to any entity or third party to the extent that such data is aggregated, summarized, or otherwise presented in a manner that does not directly or indirectly identify such data as attributable to U.S. Bank or its affiliates or Customer, its affiliates, employees, agents or authorized users.

- (iii) **Third Parties.** Portions of Customer's Cards, Account and transaction data are captured by third parties, including, but not limited to, the Card Network, third-party service providers, merchants, and merchant processors during the course of normal business operations and the confidentiality provisions of this Agreement shall not be deemed breached based upon such activities. All such third parties shall not be considered an agent of U.S. Bank for purposes of this section 4.

- (c) **Restriction and Care.** Each party must hold Confidential Information in confidence and disclose Confidential Information only to those employees, agents, or authorized users whose duties reasonably require access to such Confidential Information. Each party must

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protect Confidential Information using at least the same degree of care it uses to protect its own Confidential Information, but in no event, less than a reasonable degree of care to prevent unauthorized disclosure or duplication (except as required for backup systems) of such Confidential Information. Each party must cause its affiliates, employees, agents, authorized users, independent contractors, and parents to hold and maintain Confidential Information in confidence, and must only use and disclose such Confidential Information for the purpose of performing its obligations, exercising its rights, or enforcing its rights under this Agreement, or as otherwise expressly permitted by this Agreement.

- (d) **Disposition of Confidential Information.** Upon termination of this Agreement, each party must immediately, upon election by the disclosing party, return or destroy all Confidential Information in its direct or indirect possession or control that is the sole property of the disclosing party; provided that U.S. Bank may retain particular data transactions with respect to the Cards and Accounts as is necessary to perform its billing functions and to maintain compliance with Card Network operating rules and regulations and its agreements with merchants under the Program. Upon written request, the recipient will provide the disclosing party written certification of destruction of any Confidential Information. Notwithstanding, U.S. Bank may retain one copy of Confidential Information for archival purposes in accordance with applicable law, rule or regulation. The receiving party must return any Confidential Information maintained in an electronic format to the disclosing party in an industry standard format or, at the option of the owner, deleted and removed from all computers, electronic databases, and any other media.
- (e) **Compelled Disclosure.** Each party must promptly provide to the disclosing party notice of any order by a court or governmental agency having proper jurisdiction to disclose any Confidential Information, so the disclosing party may seek an appropriate protective order. U.S. Bank may be prohibited by a governmental agency from disclosing the governmental agency's request for Confidential Information and under such circumstances U.S. Bank is excused from notifying Customer of any disclosure of Confidential Information thereunder. Each party must disclose Confidential Information only to the extent required by applicable law.
- (f) **Non-Publicity.** Customer shall not make any case study, testimonial, press release, or other public announcement regarding this Agreement or any activities performed hereunder. Customer and its affiliates shall obtain the prior written approval of U.S. Bank's Media Relations department for any press release that Customer seeks to release that contains U.S. Bank's identity. U.S. Bank shall have at least 15 business days to review and respond to any such request for approval.

5. DEFAULT.

- 5.1 **Customer Defaults.** Customer will be in default upon the occurrence of any of the following events (each a "**Customer Default**"): (i) any violation of its obligations set forth in section 4 (Security and Confidentiality) or section 7 (Intellectual Property); (ii) any failure to make a payment on any Account when due; (iii) any default of any other agreement between U.S. Bank and any of Customer, a Participant, or Customer's affiliates that has not been cured in the time specified in the applicable agreement; (iv) any of its representations or warranties made in this Agreement fail to be true and correct at any time during this Agreement; (v) the violation of any of its other covenants, conditions, or provisions set forth in this Agreement; (vi) the filing of a bankruptcy or insolvency proceeding, the appointment of a receiver or trustee for benefit of creditors, or the entry into an arrangement with its creditors by Customer, a Participant or any guarantor of Customer's obligations hereunder (a "**Guarantor**"); (vii) a Guarantor, if any, dies or revokes its guaranty of Customer's obligations; or (viii) Customer's merger, amalgamation, sale, or transfer of all or substantially all of its assets that causes a material change to Customer's business or financial condition.
- 5.2 **U.S. Bank Defaults.** U.S. Bank will be in default upon the occurrence of any of the following events (each a "**U.S. Bank Default**"): (i) any of U.S. Bank's representations or warranties made in this Agreement fail to be true and correct at any time during this Agreement; (ii) U.S. Bank materially violates any of its covenants, conditions, or provisions set forth in this Agreement; or

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- (iii) the filing of a bankruptcy or insolvency proceeding, the appointment of a receiver or trustee for benefit of creditors, or the entry into an arrangement with its creditors by U.S. Bank.
- 5.3 Cure.** Customer must cure any Customer Default under section 5.1(i)-(iv) within five days of notice of such Customer Default. Customer must cure any Customer Default under section 5.1(v) within 30 days of notice of the Customer Default. Notwithstanding the foregoing, a Customer Default under section 12.1 and a Customer Default arising under sections 5.1(vi)-(viii) shall not be entitled to notice or the right to cure and U.S. Bank may immediately terminate this Agreement as a result of any such default. U.S. Bank shall cure any U.S. Bank Default arising under section 5.2(i) or (ii) within 30 days after notice of a U.S. Bank Default. U.S. Bank shall not be entitled to cure a U.S. Bank Default under section 5.2(iii).
- 5.4 U.S. Bank Remedies.** Upon the occurrence of a Customer Default, after the notice and cure period have run, if any, without cure, in addition to any other remedies at equity or law, U.S. Bank may: (i) immediately terminate this Agreement or suspend or cancel any Cards and Accounts; (ii) retain and will not be required to pay Customer any amounts due pursuant to this Agreement (other than a return of prefunded amounts not applied to outstanding Obligations); and (iii) collect on demand, and Customer must promptly comply with such demand, any amount directly or indirectly related to any Customer Default, including any fees or losses sustained by U.S. Bank, and any reasonable court and legal costs incurred by U.S. Bank to exercise its rights or remedies under this section 5. If Customer violates its obligations under section 4 (Security and Confidentiality) or section 7 (Intellectual Property), in addition to the foregoing, U.S. Bank shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security, because U.S. Bank's remedies at law may be inadequate to protect U.S. Bank against immediate and irreparable harm caused by any anticipated or actual breach of Customer's obligations as set forth in section 4 (Security and Confidentiality) or section 7 (Intellectual Property) and because damages resulting from such a breach may be difficult to ascertain. Any delay or failure on the part of U.S. Bank to take action upon the occurrence of a Customer Default shall not constitute a course of dealing on the part of U.S. Bank, shall not constitute a waiver of such Customer Default or prevent U.S. Bank from taking action on such Customer Default or any other Customer Default in the future. For the avoidance of doubt, the adjustment of the credit limits or controls described in Section 3.2 (including requiring security or prefunding) are independent rights and are not dependent upon the existence of a Customer Default.
- 5.5 Customer Remedies.** Upon the occurrence of a U.S. Bank Default, after the notice and cure period have run, if any, without cure, in addition to any other remedies at equity or law, Customer may: (i) immediately terminate this Agreement; and (ii) demand and recover payment of any damage amount directly related to any U.S. Bank Default. Any delay or failure on the part of Customer to take action upon the occurrence of a U.S. Bank Default shall not constitute a course of dealing on the part of Customer, shall not constitute a waiver of such U.S. Bank Default or prevent Customer from taking action on such U.S. Bank Default or any other U.S. Bank Default in the future.

6. TERM, TERMINATION AND SUSPENSION.

- 6.1 Term.** Upon completion of the Term, this Agreement will continue thereafter for one year increments at the end of each successive term until terminated by either Customer or U.S. Bank upon sixty (60) days prior written notice to the other party in accordance with the Terms and Conditions. During the Term or a successive term thereafter neither Customer nor U.S. Bank may terminate this Agreement or any license, in whole or in part, except by mutual written consent or as otherwise provided under the Terms and Conditions.
- 6.2 Termination by U.S. Bank.** U.S. Bank may terminate this Agreement if there has been no activity for any consecutive 12-month period after the Effective Date of this Agreement.
- 6.3 Regulatory Suspension and Termination.** U.S. Bank may immediately suspend or terminate (i) any Card or Account if U.S. Bank is unable to verify the identity of the employee, agent, authorized user, or owner of the Card or Account or a Participant based on the Identification Information submitted to U.S. Bank or if U.S. Bank is unable to verify that providing services to an employee, agent, authorized user, or Participant does not pose a risk to U.S. Bank of violating

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any applicable law, statute, or regulation; and (ii) this Agreement if U.S. Bank, in its sole discretion, determines provision of services under this Agreement is counter to any existing, new or amended law, regulation, regulatory interpretation, anticipated regulatory interpretation, or any enforcement of existing, new, or amended law, regulation, regulatory interpretation, or anticipated regulatory interpretation.

- 6.4 Survival.** The following provisions survive termination of this Agreement: section 2.2 (Billing and Payment); section 4 (Security and Confidentiality); section 5 (Default); section 7 (Intellectual Property); section 9 (Indemnification); section 10 (Limitation of Liability); section 12.8 (Cumulative Remedies); section 12.12 (Set-Off); section 12.16 (Waiver of Jury Trial); section 7 of this Agreement (Notices); and section 8 of this Agreement (Governing Law). Without limiting or affecting the foregoing, any provision of this Agreement that expressly or by implication is intended to come into or continue in force on or after termination of this Agreement shall survive termination and shall remain in full force and effect.

7. INTELLECTUAL PROPERTY.

- 7.1 Generally.** U.S. Bank or its affiliates, are the owner or licensee of any and all Intellectual Property or other proprietary right associated with U.S. Bank products and services including, but not limited to, the Program, related materials, and derivatives. Except as expressly stated in this Agreement, Customer is not authorized or allowed to use, copy, redistribute, publish, or retransmit any portion of U.S. Bank products or Intellectual Property without the express written consent of U.S. Bank. Customer is not permitted to change or delete any proprietary notices. Nothing in this provision grants any ownership right to Customer, U.S. Bank remains the sole owner of any and all its Intellectual Property.

- 7.2 Use of Name and Marks.** U.S. Bank may use Customer's name or marks in presentations, press releases business cases, product brochures, and financial reports to announce the business relationship between the parties.

7.3 Software License.

- (a) License Grant.** Subject to Customer's compliance with this section 7, U.S. Bank grants Customer and Participants a non-exclusive, non-transferrable license to use and access Accounts on U.S. Bank's software or U.S. Bank's third party licensor's software accessible under the Program.

- (b) Ownership.** U.S. Bank or U.S. Bank's third party licensor retains all rights, title, and ownership of the Accounts (but not data generated through the use of an Account) and software, any documentation provided with the Accounts or software, and any works derived from the Accounts or software that contain all or part of the Accounts, software, or U.S. Bank's or U.S. Bank's third party licensor's Intellectual Property. U.S. Bank asserts that the Accounts and software are protected by copyright and may be protected by patent, trademark, or other proprietary rights and laws of the United States, Canada, or other jurisdictions. Any rights not granted in this section 7 are reserved by U.S. Bank or its third party licensors.

- (c) Updates.** U.S. Bank or U.S. Bank's third party licensor may, from time to time, provide updates of the software. The updates replace the software initially licensed to Customer, and do not constitute an additional license to use the software.

- (d) Restrictions.** Customer and Participant may not (i) reverse engineer, decompile, disassemble the software or bypass or disable any copy protection or encryption; (ii) reformat or make derivative works from the software; (iii) transmit all or any part of the software by any means, media, or manner that would present the risk of unauthorized access; (iv) disclose part or all of the software to any third parties except as explicitly authorized by U.S. Bank; (v) use all or part of the software to advise, consult, or otherwise assist any third parties; or (vi) otherwise use the software in any manner that would compete in any way with U.S. Bank's business.

- (e) Audit.** Customer agrees to permit U.S. Bank reasonable access to any records, systems, or operations to ensure that Customer is in compliance with the license granted in this section 7.

- 7.4 End User Agreements.** Customer and its employees, agents or authorized users may receive or have access to, and must agree to, any and all applicable end user license or other

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agreements that govern the use of any U.S. Bank software, services, or Accounts. U.S. Bank may amend such agreements from time to time without notice to Customer.

- 7.5 Third Party Software License.** As a prerequisite for the VMS Services to pay for maintenance expenses, Customer will need to (i) obtain at its own expense, a license from the third party provider identified by U.S. Bank and (ii) agree to the third party's then-current terms of use and privacy policy on the portal login page of the third party's website. Customer, its Participants, employees, agents, and authorized users must not submit any Identification Information through the third party's portal. Customer consents to U.S. Bank's release of Customer transaction data and information to such third parties. U.S. Bank is not liable for the third party's use or further release or dissemination of the Customer transaction data or information.

8. REPRESENTATIONS AND WARRANTIES.

- 8.1 Mutual Representations and Warranties.** Each party respectively represents and warrants, at all times during this Agreement, that:

- (a) This Agreement constitutes a valid, binding and enforceable agreement of itself;
- (b) The execution of this Agreement and the performance of its obligations under this Agreement are within its powers; has been authorized by all necessary action; and does not constitute a breach of any agreement between itself and any other party;
- (c) It shall comply with all requirements of this Agreement;
- (d) It complies with all applicable state, provincial, territorial and federal statutes, ordinances, rules, regulations and requirements of governmental authorities (collectively, "**Governmental Regulations**") related to this Agreement and its execution and performance of this Agreement will not contravene any Governmental Regulations applicable to it; and
- (e) It possesses the financial capacity to enter into this Agreement and perform all of its obligations under this Agreement.

- 8.2 Customer Representations and Warranties.** Customer represents and warrants, at all times during this Agreement, that:

- (a) It will use Accounts and will instruct its employees, agents, and authorized users to use Accounts solely for Customer's business purposes;
- (b) It received any and all necessary consents from individuals to provide U.S. Bank with any required Identification Information;
- (c) The material information provided by Customer to U.S. Bank is true, complete and accurate; and
- (d) No consent or approval of any third party, including, without limitation, a lender, is required with for the execution of this Agreement, or if any such third party consent or approval is required, Customer has obtained any and all such consents or approvals.

- 8.3 Except as expressly provided herein, U.S. Bank makes no warranties, express or implied, in law or in fact, including, without limitation, the implied warranties of fitness for a particular purpose and of merchantability, either to Customer or to any other person or third party, with respect to the Program or VMS Services provided by U.S. Bank or its representatives or with respect to U.S. Bank's Account management software or made available to Customer or any other person for its use by U.S. Bank in connection with this Agreement and any services thereunder.**

9. INDEMNIFICATION.

- 9.1 Generally.** Except to the extent of the negligence or willful acts or omission of the other party or its affiliates, or its or their employees, agents, authorized users or contractors, each party (each, an "**Indemnifying Party**") agrees to indemnify and hold harmless the other party and its agents, officers, directors, employees, agents, authorized agents, and contractors (each, an "**Indemnified Party**") from any third party claims, actions, demands, damages, injuries, injunctions, suits, fines, penalties, costs, and expenses and liability whatsoever (including reasonable legal fees), arising out of (i) the infringement by an Indemnifying Party of any Intellectual Property or other property or contract right of any other entity; (ii) the violation of any law, rule, regulation or authority by an Indemnifying Party; (iii) any gross negligence or intentional act of an Indemnifying Party; or (iv) any default by the Indemnifying Party.

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9.2 Indemnification Procedures. An Indemnified Party must notify the Indemnifying Party of any claim that is asserted and each action or suit that is filed or served, and provide the Indemnifying Party with a copy of any written documentation received in relation with the claim, for which the Indemnified Party is seeking indemnification pursuant to this section 9, provided, however, that the failure to give such notice does not relieve the Indemnifying Party of its indemnification obligations except to the extent it is actually damaged. The Indemnifying Party may thereafter assume control of such claim, provided that the Indemnified Party has the right to participate in the defense or settlement of such claim. The Indemnified Party may employ counsel at its own expense to assist with any such claim; however, if such counsel is necessary because of a conflict of interest of either Indemnifying Party or its counsel or because the Indemnifying Party does not assume control, the Indemnifying Party bears the expense of such counsel. The Indemnifying Party may not settle any claim, admit to any liability, or consent to any judgment without the consent of the Indemnified Party (which consent may not be unreasonably withheld, delayed or rejected). The Indemnifying Party is not obligated to indemnify and defend the Indemnified Party with respect to a claim (or portions of a claim) if the Indemnified Party (i) fails to promptly notify the Indemnifying Party of the claim and fails to provide reasonable cooperation to defend or settle the claim; and (ii) if, and only to the extent that, the failure materially prejudices the Indemnifying Party's ability to satisfactorily defend or settle the claim.

10. LIMITATION OF LIABILITY. U.S. Bank and its affiliates are not liable for any consequential, special, indirect, or punitive damages of any nature (including lost profits) regardless of whether such party has been advised of the possibility of such damages. In no event is U.S. Bank liable for any damages under the Program and VMS Services that exceed the fees U.S. Bank collected during the 12 months immediately preceding the alleged liability.

11. ASSIGNMENT, TRANSFER. Customer shall not assign or otherwise transfer or delegate its rights, obligations, or duties under this Agreement without U.S. Bank's prior written approval at its sole discretion. For the purposes of this provision, "transfer" refers to a merger, acquisition, consolidation, divestiture, change in control, asset transfer, amalgamation, proceeding under bankruptcy laws, or any other transfer, reorganization, or sale (in whole or in part) of Customer. To the fullest extent not prohibited by applicable law, Customer will notify U.S. Bank in advance of any material change (and if prohibited, within 15 days after such change) to any information provided to U.S. Bank at any time concerning Customer's primary business, legal organization (e.g., partnership, corporation, etc.) or any change resulting from a transfer as described above. Customer must promptly provide any information requested by U.S. Bank associated with the request for approval.

12. MISCELLANEOUS PROVISIONS.

12.1 Compliance with Applicable Statutes and Regulations. The parties will maintain compliance with all statutes and regulations applicable to the products and services contemplated under this Agreement, including all economic sanctions laws, anti-money laundering laws, and trade restrictions imposed by the United States, United Nations, European Union, or Canada and U.S. Bank's policies related thereto. U.S. Bank may require Identification Information for Customer, its affiliates, and its Participants, and any authorized signers, Account and Card holders, beneficial owners, employees, agents, authorized agents, or directors of Customer and its affiliates and Participants. Customer must promptly provide any such required Identification Information to U.S. Bank.

12.2 Other Agreements and Regulations. Customer shall comply with, and shall cause its Participants and Account holders to comply with the following regulations and terms and conditions to the extent applicable to the Program or the products and services provided pursuant to this Agreement:

(a) Clearing House Operating Regulations. Any applicable automated clearinghouse operating rules or regulations, including, without limitation, the National Automated Clearing House Association Operating Rules or any related or successor operating rules or regulations; and

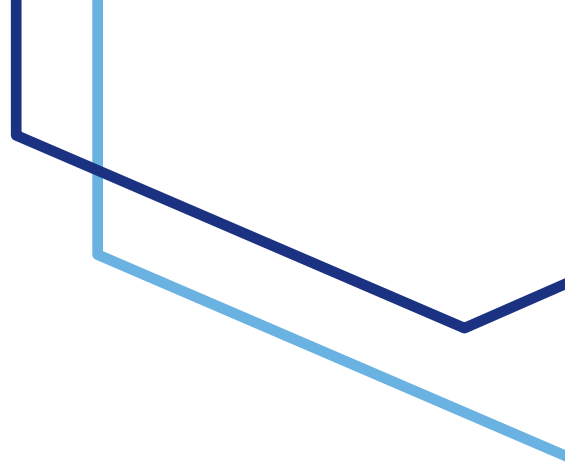
(b) Card Network Operating Regulations. Card Network operating rules and regulations.

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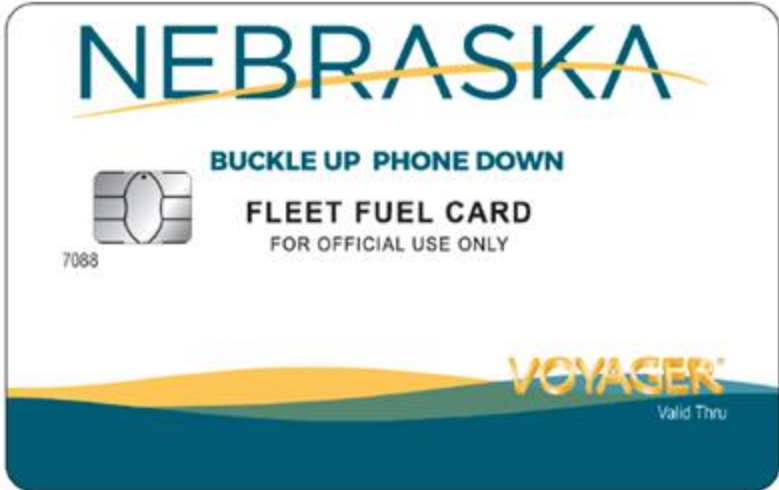
- 12.3 No Third Party Beneficiaries or Claims.** Except as stated in this Agreement, with reference to any successors or assigns, any services provided pursuant to this Agreement are for the sole and exclusive benefit of Customer and Participants, if any. No provision of this Agreement is intended to be a third party beneficiary contract or to create or vest any third party beneficiary rights, interests, or privileges in favor of any entity other than U.S. Bank and its affiliates and Customer.
- 12.4 Relationship Between U.S. Bank and Third Party Service Providers.** U.S. Bank may enter into agreements with third parties for the purpose of marketing and advertising U.S. Bank's products and services and providing other services to U.S. Bank. U.S. Bank may compensate the third parties based on revenue generated instead of a flat fee for such services. The products or services provided to Customer pursuant to this Agreement may include products or services subject to such compensation paid to third parties. To the extent Customer was referred to U.S. Bank by such third party, Customer authorizes U.S. Bank to release Customer's Confidential Information to such third party (and its agents) for purposes of communicating or computing any revenue or fees that may be due from U.S. Bank to such third party. Additionally, Customer may from time to time request that U.S. Bank provide certain of Customer's Confidential Information (including transaction data) to a third party (such request a "**Data Release Request**"). U.S. Bank's action on any such Data Release Request is subject to the following conditions: (i) the Confidential Information to be transmitted must be clearly identified by Customer (which can include by category), (ii) Customer must provide specific directions regarding the initial personnel at the third party that U.S. Bank will interface with regarding the transmission of such Confidential Information and once identified U.S. Bank may speak generally about such Confidential Information with such third party, (iii) the directions regarding such Confidential Information transmission, including file format, frequency and means for any transmission or delivery, must be acceptable to U.S. Bank, (iv) U.S. Bank will have no liability to the extent it follows the directions of anyone U.S. Bank reasonably believes to be authorized by you or the designated third party to provide directions regarding the delivery of the Confidential Information, (v) Customer is solely liable for the third party's use or disclosure of its Confidential Information and neither U.S. Bank nor any of its affiliates is liable for such third party's use or further release of Customer's Confidential Information, (vi) any Data Release Request will be considered an ongoing direction until affirmatively revoked or disavowed in writing by Customer, and (vii) U.S. Bank may suspend or terminate delivery of the Confidential Information without notice during the continuance of any default under this Agreement or in the event such transmission or delivery to the third party would violate applicable law.
- 12.5 Precedence of Terms.** In the event of a conflict or inconsistency between this Agreement and these Terms and Conditions, this Agreement will control only to the extent necessary to resolve any such conflict or inconsistency.
- 12.6 Modification or Amendment.** The parties may modify this Agreement only by an instrument in writing signed by customer and U.S. Bank.
- 12.7 Severability.** If any provision of this Agreement be declared invalid for any reason, such declaration will not affect the validity of any other provision of this Agreement, which will remain in full force and effect as if this Agreement had been executed with the invalid provisions eliminated. The parties will use commercially reasonable efforts to agree upon a valid substitute provision in accordance with the purpose of this Agreement and the intent of the parties.
- 12.8 Cumulative Remedies.** Except as expressly provided elsewhere in this Agreement, each party's rights and remedies under this Agreement are cumulative and in addition to, not exclusive of or in substitution for, any rights or remedies otherwise available to that party.
- 12.9 Interpretation of Terms.** The parties expressly agree that this Agreement will not be construed more strongly against either party, regardless of which party is more responsible for its preparation. This Agreement constitutes the entire agreement between the parties, concerning the matters addressed herein, and cancels and supersedes any prior agreements, undertakings, declarations, or representations, written or verbal, in respect thereof.
- 12.10 Headings.** The section headings are inserted for convenience or reference only, and do not affect the construction or interpretation of this Agreement.
- 12.11 Force Majeure and Excusable Delay.**

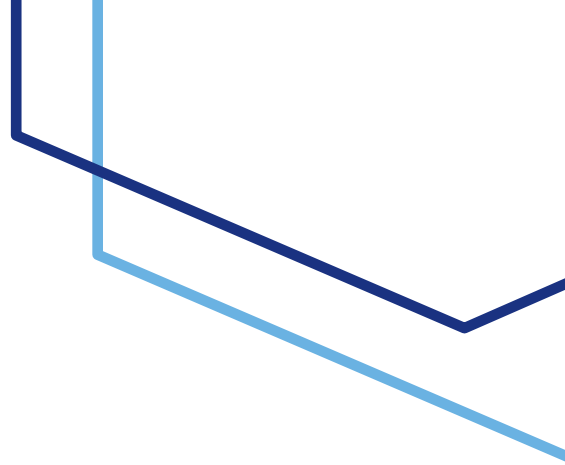
This sample document is for illustration purposes only and should not be signed by any party or be used as a draft. To start the contracting process or to obtain an executable version of this document, please contact your U.S. Bank representative.

- (a) Except for payment obligations under this Agreement, neither party is responsible for delays or failures in performance resulting from acts of God, acts of civil or military authority, fire, flood, strikes, war, epidemics, pandemics, shortage of power or chips, telecommunications or Internet service interruptions or other acts or causes reasonably beyond the control of that party. Delay in either party's performance is excused to the extent its performance is delayed solely due to an act or omission of the other party. The party suffering the force majeure event will (i) implement its applicable disaster recovery plan to the extent appropriate and practicable; (ii) give the other party prompt notice of the occurrence of a force majeure event; (iii) use diligent efforts to re-commence performance as promptly as commercially practicable pursuant to its disaster recovery plan; and (iv) provide periodic updates to the other party regarding its efforts to re-commence performance until performance has re-commenced in accordance with this Agreement.
 - (b) Either party may terminate this Agreement upon written notice to the other, if the non-terminating party is unable to perform a material portion of its obligations as a direct result of a force majeure event for more than 30 consecutive days.
- 12.12 Set-Off.** U.S. Bank may set-off any amounts Customer owes to U.S. Bank pursuant to this Agreement or any other agreement between the parties or their affiliates against any amounts due to Customer by U.S. Bank or its affiliates.
- 12.13 Relationship.** The relationship between the parties is that of independent contractors. Nothing contained in this Agreement creates an agency, partnership, joint venture, or other form of joint enterprise, employment or fiduciary relationship between the parties. Neither party has authority to contract for or bind the other party in any manner whatsoever.
- 12.14 Delegation.** U.S. Bank may delegate its duties herein to one or more third parties without Customer's approval or consent. U.S. Bank remains liable for the conduct of and payment to any such third parties.
- 12.15 No Waiver.** No failure or delay by either party to insist on specific performance of any term or obligation set forth in this Agreement or exercise any right, power or privilege provided under this Agreement or by applicable law, will operate as a waiver thereof; nor will any single or partial exercise of any such right, power, or privilege preclude any other or future exercise of any other right, power or privilege.
- 12.16 Waiver of Jury Trial. Customer and U.S. Bank waive all rights to trial by jury in any proceeding relating to this Agreement.**



Current State of Nebraska Card Design





Fleet Data Elements

Fleet Data Elements

Following is a list of all data elements that can be captured and tied to a single transaction within our system:

- Account Name
- Account Number
- Account Org Level 1 ID
- Accounting Code
- Actual Odometer
- Assessed Local Taxes
- Assessed State Taxes
- Attachment
- Card Code 1
- Card Code 2
- Card Code 3
- Card Code 4
- Card Code 5
- Card Comments
- Card ID
- Card Organization Level 1 Name
- Card Organization Level 2 Name
- Card Organization Level 3 Name
- Card Organization Level 4 Name
- Card Organization Level 5 Name
- Card Organization Level 6 Name
- Card Organization Level 7 Name
- Cost Per Mile
- Cost Per Unit
- Dispute Date
- Dispute Number
- Dispute Reason
- Dispute Status
- Driver Code 1
- Driver Code 2
- Driver Code 3
- Driver Code 4
- Driver Code 5
- Driver First Name
- Driver ID
- Driver Last Name
- Driver Middle Initial
- Driver Organization Level 2 Name
- Driver Organization Level 3 Name
- Driver Organization Level 4 Name
- Driver Organization Level 5 Name
- Driver Organization Level 6 Name
- Driver Organization Level 7 Name
- Driver/Vehicle Type
- Estimated Odometer
- Estimated Odometer Code
- Federal Tax Exempted Amount
- Invoice Number
- Local Sales Tax Exempted Amount
- Location Number
- Merchant Address
- Merchant City
- Merchant Name
- Merchant State
- Merchant ZIP
- Miles Driven
- Miles Per Gallon
- Miscellaneous Tax Exempted Amount
- Net Purchase Amount
- Participant Code
- Participant Name
- Primary Motor Fuel Tax Exempted Amount
- Product Code
- Product Description
- Product Source Code
- Product Type Description
- Prompt Type
- Prompt Type Code
- Purchase Order Number
- Service Type
- Service Type Description
- State Motor Fuel Tax Exempted Amount
- State Sales Tax Exempted Amount
- Total Exempted Taxes
- Transaction Comments
- Transaction Day of Week
- Transaction Exception Codes 1
- Transaction Exception Codes 2
- Transaction Exception Codes 3
- Transaction Exception Description 1
- Transaction Exception Description 2
- Transaction Exception Description 3
- Transaction ID
- Transaction Line Amount
- Transaction Occurred Date
- Transaction Posting Date
- Transaction Time
- True VIN
- Type of Sale
- Type of Sale Description
- Units
- Vehicle Description
- Vehicle ID
- Vehicle License
- Vehicle License State
- Vehicle Organization Level 2 Name
- Vehicle Organization Level 3 Name
- Vehicle Organization Level 4 Name
- Vehicle Organization Level 5 Name
- Vehicle Organization Level 6 Name
- Vehicle Organization Level 7 Name
- Vehicle User Code 1
- Vehicle User Code 2
- Vehicle User Code 3
- Vehicle User Code 4
- Vehicle User Code 5
- Vehicle Identification Number (VIN)



Annual Report 2022



“We have a tremendous opportunity ahead of us to make real, lasting and meaningful change that will position us to compete effectively now and long into the future.”





Andy Cecere

Chairman, President and
Chief Executive Officer

Building momentum in an evolving landscape

As a company, we have spent the past several years addressing the rapid and dynamic changes confronting our industry and the world at large. Many of the trends we anticipated in our strategic planning were exacerbated or accelerated due to the COVID-19 pandemic, and we saw a greater shift toward digital and holistic money movement solutions, as well as an increased demand for speed and convenience in banking. These evolving expectations and behavioral shifts toward digital capabilities continue for the industry.

LETTER TO SHAREHOLDERS

Yet as we look back over several years of change, our commitment to serving customers and helping them navigate uncertain economic times has remained constant. In 2020 and 2021, we helped customers navigate the uncertainty of the pandemic. Today, we are helping them in an environment of high inflation and rising interest rates.

Our approximately 77,000 U.S. Bank employees – including those staffing our more than 2,000 branches, our service centers and our offices across the globe – have played an important role for our customers. Their dedication has been impressive, and I want to express my deep gratitude and appreciation for how they have performed.

“We have already seen progress in key areas, which will continue throughout 2023 and beyond.”

As we move into a new chapter of our history, we are confidently moving forward and building momentum in an evolving and more competitive landscape while navigating an unpredictable world. We have gained a greater ability to build digital capabilities at scale. Our mix of digital plus human banking is a key differentiator. Our acquisition of MUFG Union Bank makes us a much stronger competitor in the fast-growing California and West Coast markets. We are also preparing for a wide range of economic scenarios so we can continue to deliver industry-leading financial results, which has been our hallmark for decades.

It helps to consider how far we have come as we think about what is next. Just five years ago, we were focused on enhancing our product set, optimizing our branch network, enhancing our digital capabilities, and driving data and analytics

at scale. We have made progress in each of these areas. Our attention now is on building on those strengths and leveraging that foundation to do more to drive growth and define a better and more differentiated customer experience.

We also are relying on our legacy of financial and risk discipline to help us achieve our goals. Although we have weathered the pandemic and the associated ebbs and flows of a challenging economic environment, there are strong factors at play that require attention. Inflation, supply chain demands and pressures, a competitive talent landscape, the threat of global recession, and a dynamic regulatory environment show us we need to play both offense and defense. To accelerate growth, we must prioritize our investments, choose our no-regrets moves, and determine what we need to change to ensure we are focused on the right things.

In this type of environment, transformation must be more than a business buzzword. We need to be willing to change, decisive in our actions, and expedient in our steps. Part of that is evident in our multi-year, broad-scale continuous improvement approach toward growth. We have already seen progress in key areas, which will continue throughout 2023 and beyond. This is happening while we continue to enhance capabilities through important acquisitions such as talech, Bento and PFM Asset Management, and building our core banking scale through acquisitions like Union Bank.

The Union Bank acquisition allows us to be much more competitive and a more relevant player in California and along the West Coast, and after nearly 15 months of planning, we closed on the transaction in December. The hard work to integrate thousands of employees and millions of customers is underway now, and I continue to be impressed by the caliber of talent in both organizations and how everyone is singularly focused on doing what is right and what will make us a stronger company together.

LETTER TO SHAREHOLDERS

“We are evolving our talent strategy to address changing expectations, needed skills, and norms about how work is best accomplished.”

This is a transaction that provides opportunity across a wide spectrum of constituents: Union Bank customers will have more access to digital capabilities and products and services than they previously had; we will serve more communities in California than ever before; and we will welcome new employees to our team from Union Bank.

As we enter 2023, we will continue to do three things. First, transform with purpose – making bold moves to drive growth over the long term. Next, we will run our operations effectively and efficiently – delivering on our promise to customers and leveraging the advances we have made in our technology to evolve in the markets we serve. Finally, we will maintain discipline so we can preserve our financial excellence and assess from a risk perspective what we will and will not do to achieve growth. In this environment, especially, we will continue to optimize the position of our balance sheet to most effectively manage capital with a focus on profitable growth. Similarly, we will rely on our risk appetite that has guided us successfully for many years and continue to pressure test assumptions to ensure they will serve us in changing times.

We also will continue to evolve our customer acquisition strategy. We enhanced our go-to-market model and simplified our organization to drive greater effectiveness and efficiency last year. We are evolving our talent strategy to address changing expectations, needed skills, and norms about how work is best accomplished. We are refining our marketing, digital and

analytics approaches to better enable customer growth, and we are expanding our payments and business banking ecosystem to capitalize on the opportunity in that space. Further, we are building on our investments in technology transformation and a migration to the cloud to accelerate our work.

Beyond our refined talent strategy, we remain focused on diversity, equity and inclusion, which is particularly evident in our Access Commitment™ work. We will drive our commitment to environmental, social and governance (ESG) matters and position us to contribute positively to the overall health of our industry, customers and communities. This all will connect to our risk discipline, as we continue to focus on ways to drive growth responsibly and with both the short-term and long-term in mind. It also will complement and support the efforts we will implement through our Community Benefits Plan that was put in place as part of our Union Bank acquisition.

We have a tremendous opportunity ahead of us to make real, lasting and meaningful change that will position us to compete effectively now and long into the future. The decisions we make today are shaping our success, and we have a terrific team that is focused on reaching our full potential and serving customers to the best of our ability. We appreciate your continued trust and investment as shareholders in our company.

Sincerely,



Andy Cecere

Chairman, President and Chief Executive Officer
U.S. Bancorp

February 2023

FINANCIAL HIGHLIGHTS

\$24.3B **In record net revenue**
(Up 6.5% over 2021)

 **12.3%** **Increase**
in average loans year over year

 **6.5%** **Increase**
in average deposits year over year

 **2.3%**¹ **Increase**
in Positive Operating Leverage

 **2.72%**² **Net Interest Margin**
compared to 2.49% in 2021

 **82%** of core consumer customers **engaged digitally with U.S. Bank**



Impact of Union Bank acquisition

On December 1 we completed the acquisition of Union Bank, which meaningfully increased our market share in California and made us the No. 1 SBA lender in the state.

~1M

Consumer accounts added

~190K

Business banking clients added

~700

Commercial accounts added

~\$82B

In deposits added

~\$53B

In loans added

1. Operating leverage excludes the net revenue and noninterest expense of MUFG Union Bank and certain notable items, and is a non-GAAP financial metric. Please see Non-GAAP Financial Measures beginning on page 59.

2. 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.

FINANCIAL SUMMARY

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2022	2021	2020	2022 v 2021	2021 v 2020
Net interest income	\$14,728	\$12,494	\$12,825	17.9%	(2.6)%
Taxable-equivalent adjustment ^(a)	118	106	99	11.3	7.1
Net interest income (taxable-equivalent basis) ^(b)	14,846	12,600	12,924	17.8	(2.5)
Noninterest income	9,456	10,227	10,401	(7.5)	(1.7)
Total net revenue	24,302	22,827	23,325	6.5	(2.1)
Noninterest expense	14,906	13,728	13,369	8.6	2.7
Provision for credit losses	1,977	(1,173)	3,806	*	*
Income taxes and taxable-equivalent adjustment	1,581	2,287	1,165	(30.9)	96.3
Net income	5,838	7,985	4,985	(26.9)	60.2
Net (income) loss attributable to noncontrolling interests	(13)	(22)	(26)	40.9	15.4
Net income attributable to U.S. Bancorp	\$5,825	\$7,963	\$4,959	(26.8)	60.6
Net income applicable to U.S. Bancorp common shareholders	\$5,501	\$7,605	\$4,621	(27.7)	64.6
Per Common Share					
Earnings per share	\$3.69	\$5.11	\$3.06	(27.8)%	67.0%
Diluted earnings per share	3.69	5.10	3.06	(27.6)	66.7
Dividends declared per share	1.88	1.76	1.68	6.8	4.8
Book value per share ^(c)	28.71	32.71	31.26	(12.2)	4.6
Market value per share	43.61	56.17	46.59	(22.4)	20.6
Average common shares outstanding	1,489	1,489	1,509	–	(1.3)
Average diluted common shares outstanding	1,490	1,490	1,510	–	(1.3)
Financial Ratios					
Return on average assets .....	.98%	1.43%	.93%		
Return on average common equity	12.6	16.0	10.0		
Net interest margin (taxable-equivalent basis) ^(a)	2.72	2.49	2.68		
Efficiency ratio ^(b)	61.4	60.4	57.8		
Average Balances					
Loans	\$333,573	\$296,965	\$307,269	12.3%	(3.4)%
Investment securities ^(d)	169,442	154,702	125,954	9.5	22.8
Earning assets	545,343	506,141	481,402	7.7	5.1
Assets	592,149	556,532	531,207	6.4	4.8
Deposits	462,384	434,281	398,615	6.5	8.9
Total U.S. Bancorp shareholders' equity	50,416	53,810	52,246	(6.3)	3.0
Period End Balances					
Loans	\$388,213	\$312,028	\$297,707	24.4%	4.8%
Allowance for credit losses	7,404	6,155	8,010	20.3	(23.2)
Investment securities	161,650	174,821	136,840	(7.5)	27.8
Assets	674,805	573,284	553,905	17.7	3.5
Deposits	524,976	456,083	429,770	15.1	6.1
Total U.S. Bancorp shareholders' equity	50,766	54,918	53,095	(7.6)	3.4
Capital Ratios					
Common equity tier 1 capital	8.4%	10.0%	9.7%		
Tier 1 capital	9.8	11.6	11.3		
Total risk-based capital	11.9	13.4	13.4		
Leverage	7.9	8.6	8.3		
Total leverage exposure	6.4	6.9	7.3		
Tangible common equity to tangible assets ^(b)	4.5	6.8	6.9		
Tangible common equity to risk-weighted assets ^(b)	6.0	9.2	9.5		
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the current expected credit losses methodology ^(b)	8.1	9.6	9.3		

* Not meaningful

(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 59.

(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.

Growing our capabilities to power potential

As a company, we're at an exciting moment in our transformative journey. During the past five years, we've laid the groundwork for where we want to go and positioned ourselves for growth. We have made significant investments in digital and technology – and continue to do so – and strategically enhanced our products and services. These modern business foundations have become our strength, and it's time to expand what we can do with them. As we look ahead, we're excited about the potential.

We'll continue to find purposeful, strategic ways to help our customers, communities and business grow – together.



Powering potential for businesses

Running a business involves many moving parts, and our teams provide trusted guidance to help businesses of every size navigate the journey. From products that enable users to make and receive payments to a dashboard for small business owners that provides greater visibility into their transactions in one place – our innovative banking and payments solutions are resonating with the market.

CREATING THE FUTURE NOW

Helping businesses better understand their future cash flow, digitally

We knew that our small business customers wanted a better line of [sight into their future cash flow](#). We answered with a new online banking tool that lets them see a 90-day forecast, with the ability to leverage their external data in addition to their U.S. Bank accounts. This gives business owners valuable information to make smart decisions for today and tomorrow.

This tool is the latest feature we introduced as part of our [U.S. Bank Business Essentials™](#), an integrated suite of banking and payments solutions that are simple and convenient for businesses to use to manage and run their operations.

In September, we also [launched talech Register](#). The next generation all-in-one point-of-sale, payments and business analytics platform empowers small business owners to both accept payments from customers and better manage their operations. We also made it easy to get started with a unique option to rent hardware, which significantly lowers the initial investment for business owners.

Embedded technology transforms the way businesses send and receive payments

In early 2022, we announced a [significant collaboration with Microsoft](#) to drive our technology transformation through the power of cloud computing and, in turn, bring better digital experiences to customers. [U.S. Bank AP Optimizer®](#) and [Elavon's Payment Gateway](#) are embedded into Microsoft's popular enterprise resource planning and finance solution, making it easier for businesses to quickly use our resources.



Growing real-time payments capabilities

We've made significant progress helping clients realize the potential of real-time payments. In fact, the total number of real-time payment transactions soared 17 times higher January 2022 through September 2022 than all of 2020.

One key contributor to the growth is how we work with business clients to create real-time payment use cases. For example, we now provide [real-time loan funding to auto dealerships](#) after a loan contract is finalized by the bank, using the RTP® Network. While the traditional ACH payment method for funding auto loans can take several days – especially when sales are made outside of traditional Monday-to-Friday business hours – real-time payments to dealers are fast, secure and available seven days a week, including holidays. For an industry that does much of their business in the evening and on weekends, this is a significant improvement. Auto dealers using real-time payments gain a competitive advantage, with greater control over cash flow and improved Contract-in-Transit metrics, a key performance indicator for auto dealers and their employees.

The new service follows a partnership announced in March 2022 with the auto sales [e-commerce site Driveway.com](#) to support instant settlement for online car purchases on the secondary market, making Driveway the first online car dealership to pay customers over the RTP® network. Customers selling a car on Driveway.com can now receive instant payment into their bank account after a sale is complete and before the vehicle leaves their driveway.

CREATING THE FUTURE NOW



Simplifying and accelerating supply-chain financing

A constant over the past several years has been unprecedented stress in the global supply chain. To help lessen the burden, [we entered into an agreement](#) with trade-finance fintech LiquidX to expedite and simplify supply chain transactions.

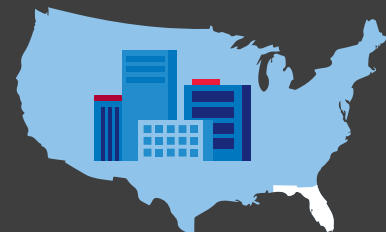
This collaboration pairs our strong balance sheet with LiquidX's streamlined platform technology to address supply chain finance friction and cash flow challenges facing many companies. Suppliers and buyers can connect their supply chain payment systems directly to U.S. Bank and transact through LiquidX's easy-to-use platform. Our financing solutions delivered through this collaboration enable suppliers to be paid nearly immediately and buyers to receive extended payment terms.



Helping clients track ESG data

With investors' increasing interest in companies that are socially responsible and can prove it, there are new and higher standards for companies to meet. That's why we [partnered with Sustainalytics](#), a Morningstar company and a leading global provider of environmental, social and governance (ESG) research and ratings, to offer ESG data solutions to U.S. Bank Global Fund Services clients. Where independent ESG analytics and reporting services are required, clients will have access to a range of derived fund-level sustainability measures applicable to their portfolio.

We continued to grow our commercial real estate (CRE) team in 2022, both geographically and in terms of capabilities. First, we [expanded into Florida](#) and built a team with extensive experience there. Additionally, we launched a new middle market commercial real estate team to grow our business with midsize developers and investors in key metro areas.



STRIVING FOR SIMPLICITY



Powering potential for our customers

Powering potential includes removing barriers to success. That's why we are focused on making things simpler both in how we work, and in the products and services we provide. But simple is not the same as basic. We're excited about the new ways we're making life easier for customers' everyday money matters.

A new and improved approach to checking

While more and more of us may no longer write out physical checks to pay for purchases or bills, our checking accounts are still the foundation of our financial world. How we use our accounts has changed, though. So, we launched the U.S. Bank Smartly® Checking and [U.S. Bank Smart Rewards®](#) program to help customers maximize their money, smartly.

The benefits and features include lowered or even zero monthly maintenance fees, and no-fee overdraft protection for transfers as part of our Overdraft Fee Forgiven program. Based on their relationship with the bank, customers can also enjoy waived fees for non-U.S. Bank ATMs; a savings interest rate lift; 0.25% off on mortgage closing costs; and 100 free trades of online investing. Customers who meet balance minimums or other qualifiers can then enroll in the U.S. Bank Smart Rewards® program and unlock more benefits, like higher interest rates on savings and discounts on mortgage closing costs, based on their total balances throughout the bank.

Customers who open a U.S. Bank Smartly® Checking account can also enroll in the U.S. Bank Smart Rewards® program and unlock more benefits based on their total qualifying balances throughout the bank.

STRIVING FOR SIMPLICITY



The new **U.S. Bank Shopper Cash Rewards® Card** allows cardmembers to earn up to 6% cash back on purchases at two retailers of their choice.

Helping customers get more for their money

Remember carrying multiple credit cards for all your favorite retailers? Well, we've made shopping as a loyalty customer a lot more convenient with the new [U.S. Bank Shopper Cash Rewards® Card](#). This single card allows cardmembers to earn up to 6% cash back on purchases at two retailers of their choice out of a list that includes big brands such as Amazon.com™, Home Depot® and Walmart®. Cardmembers also can change which retailers they receive cash back from, a feature that can help them save money when they know they will be making a significant purchase. The U.S. Bank Shopper Cash Rewards® Card also gives cardmembers up to 3% cash back on their top choice between gas stations and EV charging stations, wholesale clubs such as Costco Wholesale® and Sam's Clubs®, or bills and home utilities – plus 1.5% cash back on everything else. In addition, the card offers 5.5% cash back on hotels and car rentals listed and booked directly in the U.S. Bank Rewards Center.

Equipping customers with financial tools to reach their goals

Banking is about more than moving your money around. It's about understanding how to use your money in ways that help you achieve your goals. That's why we added a new Goals feature to our mobile app and online banking – giving customers an amazing, personalized experience. Every day customers are adding new goals in the app – everything from “Buy a Home,” “Grow My Family,” “Start or Grow My Business,” “Pursue a Passion” – where it's easy to compile and chart their progress. Then, we give them the tools, guidance and pathways to reach those goals. We're the first bank to approach behavioral science the way we have, designing digital plus human experiences. In 2022, we helped more than 330,000 customers plan for or achieve more than 400,000 meaningful goals and outcomes in their lives.

STRIVING FOR SIMPLICITY

The first Spanish-language voice assistant for banking

U.S. Bank is the first financial institution in the United States to offer Spanish-speaking customers the ability to bank by voice in their preferred language via mobile app. [Asistente Inteligente de U.S. Bank™](#) is a Spanish-language version of our best-in-class Smart Assistant in the U.S. Bank Mobile App with all the same features and functionality as the popular English-language version.

Customers who set their preferred language to Spanish in the U.S. Bank Mobile App can now check their balance and transactions, transfer and send money, track their credit score, lock and unlock their card, make payments, and quickly search for and complete many other functions – just by talking into their smartphone in Spanish. If they prefer to text instead of talk, [Asistente Inteligente de U.S. Bank™](#) supports that too.¹

A new technology for Wealth Management and Investment Services clients

We hit an exciting milestone in 2022 for Wealth Management and Investment Services clients. After two years of migration groundwork, we've converted nearly 10,000 client accounts to our new cutting-edge and scalable SEI Wealth PlatformSM. The platform is what we use to hold (custody) customers' cash and assets and manage their financial transactions across global markets. The new technology is a critical step in positioning our business and our clients for the future. SEI Wealth PlatformSM will support our growth through robust servicing capabilities, as well as allowing transactions across multiple markets and currencies, to meet the demands of our global client base.



An overall leader in mobile banking

Javelin Strategy & Research's 2022 Digital Banking Scorecard recognized U.S. Bank as the category leader in five out of six mobile banking categories – even more than last year – and a category leader in an additional two categories for Online Banking.



Empowering student-athletes to build long-term wealth

Student-athletes have an opportunity to score big with the new policies that allow high school and college athletes to monetize the use of their name, image and likeness (NIL), and we're helping them make the most of it. We teamed up with Opendorse, the leading technology provider in athlete endorsement, to empower student-athletes with free financial programming. Our financial education and college banking experts worked with Opendorse curriculum specialists to create U.S. Bank Financial FitnessTM, the customized financial literacy program curated specifically for student-athletes to learn how to game-plan for creating short-term and long-term wealth for their new income stream.

1. Some services may only be available in English.

BEING THE MOST TRUSTED CHOICE



This is the **eighth consecutive year** we have earned this honor, and we're one of only three U.S.-based banks honored.

"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

Powering potential for success

Our employees work hard every day to earn and keep the trust of the customers and communities we serve. We know that trust is a key factor when customers decide who they want to do business with. Being the most trusted choice also means being a good corporate citizen. For us, doing business in an environmentally sustainable and socially responsible manner is also a driver of innovation – today and for generations to come.

We're proud to have received ongoing recognition for our commitment to ethics, accountability and social responsibility. In 2022:

- We were once again named one of the [World's Most Ethical Companies](#)® by Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices. This is the eighth consecutive year we have earned this honor, and we're one of only three U.S.-based banks honored.
- Fortune® magazine recognized us as one of the [2022 World's Most Admired Companies](#), naming us No. 1 in the Superregional Banks industry category for the 12th consecutive year. Within this category, we topped the list in seven of the nine key attributes of reputation: People Management, Use of Corporate Assets, Social Responsibility, Quality of Management, Financial Soundness, Long-Term Investment Value and Quality of Products/Services.

BEING THE MOST TRUSTED CHOICE

Building trust through corporate citizenship

As a financial services provider, our Environmental, Social and Governance (ESG) efforts reflect our commitment to being a responsible corporate citizen. This includes our work to meet our Community Reinvestment Act (CRA) goals, to drive social and environmental impact while delivering for customers and to dedicate ourselves to creating an inclusive workplace.

You can learn more about our progress in our [2021 ESG report](#) and our [Task Force on Climate-related Financial Disclosures](#) report published in December. Our 2022 ESG report is expected later this year. In the interim, below we've highlighted some key advancements we made in 2022 to enable a sustainable future and increase equity, access and economic empowerment:



\$64M

in corporate contributions and U.S. Bank Foundation giving



\$2.7B

invested in renewable energy tax equity



98%

of U.S. Bank Foundation dollars supported women, people of color and low-and-moderate income communities



\$321M

in capital went to Black-owned or -led businesses and organizations through U.S. Bancorp Community Development Corporation financing



\$20

increased minimum hourly wage to \$20



Outstanding

rating received by U.S. Bank from the most recent Community Reinvestment Act (CRA) exam¹



1.5M

individuals received financial education with a focus on diverse and underserved communities



\$13M

pledged to nonprofits through annual Employee Giving Campaign



311,000

employee volunteer hours, equated to \$9.3 million investment²

1. Community Reinvestment Act (CRA) exam by the Office of the Comptroller of the Currency (OCC) is from January 1, 2016, to December 31, 2020.

2. Volunteer hours valued at \$29.95 per hour by the Independent Sector.

Powering potential for our people

Our people are our greatest asset; they're vital to our success and our customers' success. That's why we invest in the careers of our approximately 77,000 employees through programs that empower each of us to bring our diverse perspectives to work every day. We're honored that our efforts to create a great place to work received wide recognition yet again this year.

- [We ranked among the Top 50 companies](#) overall in the American Opportunity Index – a new report created by The Burning Glass Institute, Harvard Business School and the Schultz Family Foundation – which measures employee economic mobility. We were also among the “**Best Workplaces to Advance Within**” and “**Best Workplaces to Advance Without a College Degree.**”
- Seramount ranked us as one of the [100 Best Companies for Working Parents](#) for the third consecutive year.
- Military Times again recognized us as one of the “[Best for Vets](#)” – an honor we've received annually since 2010.
- We earned a perfect score of 100 on the [2022 Disability Equality Index](#)[®] and were recognized as a “**Best Place to Work for Disability Inclusion**” for the fifth consecutive year.
- For the 16th consecutive year, we scored [100 on the Human Rights Campaign Foundation's annual Corporate Equality Index](#)[®], the nation's most prominent report measuring corporate policies and practices related to LGBTQ workplace equality.
- We were named to the [DiversityInc. Top 50 Index](#)[®] again this year, rising to No. 17 overall. We also continue to be ranked on DiversityInc.'s specialty lists for topics including philanthropy, supplier diversity, Board, and employee resource groups.



Notable enhancements we made in 2022:

- Increased our parental leave policy in January to ensure we're investing in our employees' life moments.
- Enhanced our leaves of absence policies for military members to help smooth the transition into active duty.
- Boosted salaries of thousands of employees, including front-line branch, call center and operations center employees as part of our announcement that all employees in the U.S. and Canada [will make at least \\$20 an hour](#).

Powering potential in our communities

We're passionate about helping people thrive through building wealth. That's why we invest in and give back to communities we live and work in.



In 2022, we made significant progress implementing and building on U.S. Bank Access Commitment™, a series of long-term initiatives to address the persistent racial wealth gap and increase wealth building opportunities. We also continued to integrate social, environmental and economic progress into our work through U.S. Bancorp Community Development Corporation, financing projects that help develop affordable housing, build thriving communities, or accelerate the transition to a green economy. And, as part of our acquisition of Union Bank, we also announced a \$100 billion community benefit plan that will build on U.S. Bank Access Commitment™ and expand our efforts to increase access to capital in all the communities we serve.

Getting more people into homes

We know that homeownership is a cornerstone to wealth building, and that Black families disproportionately rent their homes, which is why we launched U.S. Bank Access Home™, a part of U.S. Bank Access Commitment™, an initiative we believe is key to our commitment to helping close the racial wealth gap. The multipronged program will provide financial education, increase awareness of lending and financing options, and help fund our new mortgage loan officer development program designed to reach the Black community.

We also announced a separate [investment](#) from our mortgage business that will support a wide range of outreach, engagement and educational efforts through partnerships with organizations that promote housing in diverse and underserved communities. The initial investment will focus on partners where housing disparities are the largest, including: Las Vegas, Little Rock, Milwaukee, Minneapolis and St. Louis, and we are also partnering nationally with Fannie Mae and Freddie Mac.

DRIVING ONE U.S. BANK



Expanding our investment in developers of color

As part of our U.S. Bank Access to Capital™ initiative, we're investing in developers of color through our Community Development Financial Institution (CDFI) partners. In 2022, we provided [\\$300,000 in grants to five Black-led CDFIs](#) that work with Black affordable housing developers. The combination of technical assistance and predevelopment capital helps create on-ramps for developers of color in the affordable housing industry.

Coaching financial literacy with the WNBA

We're proud to be a [WNBA Changemaker](#), providing the league's players and alumni access to financial resources, and creating programs to increase financial education across the country. The multiyear relationship means we are joining a collective of purpose-driven companies that are striving to elevate women in sports and support the league's mission around advancing diversity, equity and inclusion. One of the early initiatives in partnership with [Project Destined](#) – a social impact platform – is the launch of She's Invested: Supporting Emerging Female Leaders. The program provides mentoring and financial education to women of color from Historically Black Colleges and Universities (HBCUs) as well as universities in Southern California.



Receive an electronic copy of the Annual Report

To help to reduce the use of environmental resources and promote environmental stewardship, we partnered with [Arbor Day](#) to plant a tree for every retail shareholder account who opted for electronic delivery of our annual report. Last year, 3,200 trees were planted as a result, and we are continuing that partnership again this year.

If you haven't already done so, you can sign up to receive electronic versions of our Annual Report at usbank.com/electronicAR.

MANAGING COMMITTEE



Andrew Cecere
Chairman, President and
Chief Executive Officer



Souheil S. Badran
Senior Executive
Vice President and
Chief Operations 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



Venkatachari Dilip
Executive Vice President
and Global Chief Information
and Technology Officer



Terrance R. Dolan
Vice Chair and
Chief Financial Officer



Gunjan Kedia
Vice Chair, Wealth
Management and
Investment Services



James B. Kelligrew
Vice Chair, Corporate
and Commercial Banking



Shailesh M. Kotwal
Vice Chair,
Payment Services



Katherine B. Quinn
Vice Chair and Chief
Administrative Officer



Jodi L. Richard
Vice Chair and
Chief Risk Officer



Mark G. Runkel
Senior Executive Vice
President and Chief
Transformation Officer



Dominic V. Ventura
Senior Executive
Vice President and
Chief Digital Officer



Jeffrey H. von Gillern
Vice Chair, Technology
and Operations Services



Timothy A. Welsh
Vice Chair, Consumer
and Business Banking

BOARD OF DIRECTORS



Andrew Cecere
Chairman, President and
Chief Executive Officer,
U.S. Bancorp



Warner L. Baxter
Executive Chairman
and Former Chairman,
President and CEO,
Ameren Corporation



Dorothy J. Bridges
Chief Executive Officer,
Metropolitan Economic
Development Association
(Meda)



Elizabeth L. Buse
Former Chief Executive
Officer, Monitise plc



Alan B. Colberg
Retired President and
Chief Executive Officer,
Assurant, Inc.



Kimberly N. Ellison-Taylor
Founder and Chief Executive
Officer, KET Solutions, LLC



Kimberly J. Harris
Retired President and
Chief Executive Officer,
Puget Energy, Inc.



Roland A. Hernandez
Founding Principal and Chief
Executive Officer, Hernandez
Media Ventures (Incoming
Lead Independent Director)



Olivia F. Kirtley
Business Consultant
(Lead Independent Director)



Richard P. McKenney
President and Chief
Executive Officer,
Unum Group



Yusuf I. Mehdi
Corporate Vice President,
Microsoft Corporation



Loretta E. Reynolds
Founder and Chief
Executive Officer,
LEReynolds Group, LLC



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



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

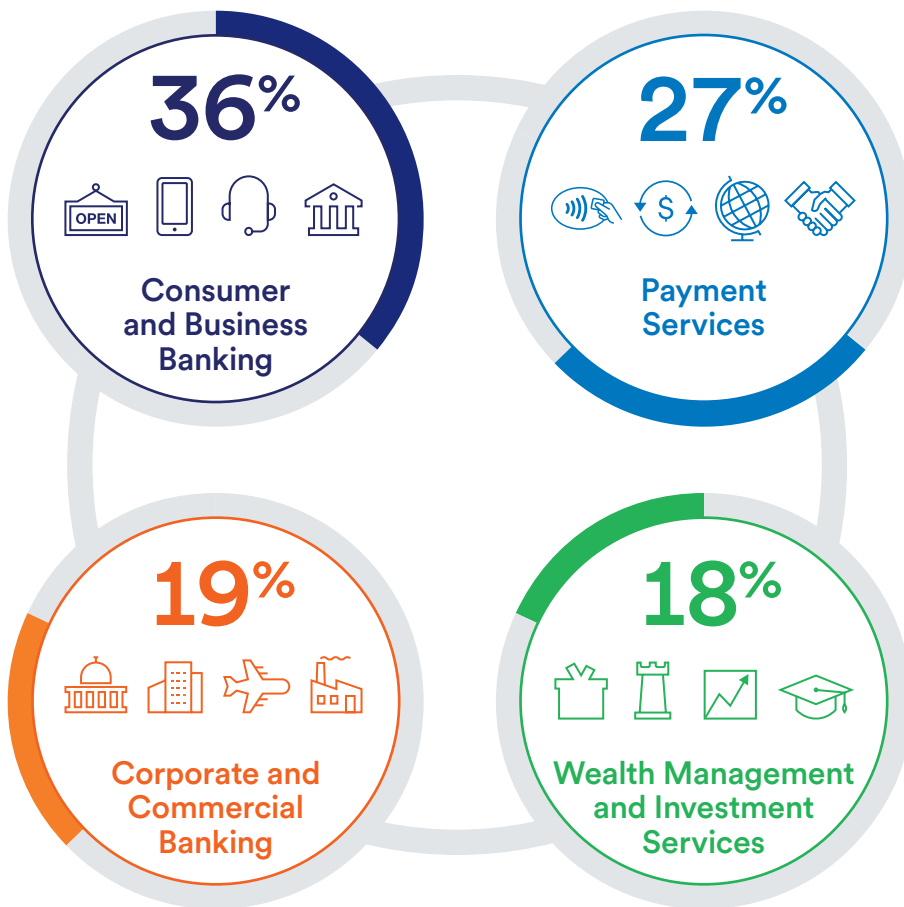
ABOUT US

U.S. Bancorp, with approximately 77,000 employees and \$675 billion in assets as of Dec. 31, 2022, is the parent company of U.S. Bank National Association.

The Minneapolis-based company serves millions of customers locally, nationally and globally through a diversified mix of businesses: Consumer and Business Banking; Payment Services; Corporate and Commercial Banking; and Wealth Management and Investment Services. The company has been recognized for its approach to digital innovation, social responsibility, and customer service, including being named one of the 2022 World's Most Ethical Companies and Fortune's most admired superregional bank. MUFG Union Bank, consisting primarily of retail banking branches on the West Coast, joined U.S. Bancorp in 2022.

Learn more at usbank.com/about.

Revenue mix by business line 2022 taxable-equivalent basis.
Business line revenue percentages exclude Treasury and Corporate Support.
See Non-GAAP Financial Statements on page 59.



- 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 and 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 2022 — 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, future economic conditions and the anticipated future revenue, expenses, financial condition, asset quality, capital and liquidity levels, plans, prospects and operations of U.S. Bancorp. Forward-looking statements often use words such as “anticipates,” “targets,” “expects,” “hopes,” “estimates,” “projects,” “forecasts,” “intends,” “plans,” “goals,” “believes,” “continue” and other similar expressions or future or conditional verbs such as “will,” “may,” “might,” “should,” “would” and “could.”

Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from those set forth in forward-looking statements, including the following risks and uncertainties:

- Deterioration in general business and economic conditions or turbulence in domestic or global financial markets, which 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;
- Changes to statutes, regulations, or regulatory policies or practices, including capital and liquidity requirements, and the enforcement and interpretation of such laws and regulations, and U.S. Bancorp’s ability to address or satisfy those requirements and other requirements or conditions imposed by regulatory entities;
- Changes in interest rates;
- Increases in unemployment rates;
- Deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans;
- Risks related to originating and selling mortgages, including repurchase and indemnity demands, and related to U.S. Bancorp’s role as a loan servicer;
- Impacts of current, pending or future litigation and governmental proceedings;
- Increased competition from both banks and non-banks;
- Effects of climate change and related physical and transition risks;
- Changes in customer behavior and preferences and the ability to implement technological changes to respond to customer needs and meet competitive demands;
- Breaches in data security;
- Failures or disruptions in or breaches of U.S. Bancorp’s operational or security systems or infrastructure, or those of third parties;
- Failures to safeguard personal information;
- Impacts of pandemics, including the COVID-19 pandemic, natural disasters, terrorist activities, civil unrest, international hostilities and geopolitical events;
- Impacts of supply chain disruptions, rising inflation, slower growth or a recession;

- Failure to execute on strategic or operational plans;
- Effects of mergers and acquisitions and related integration;
- Effects of critical accounting policies and judgments;
- Effects of changes in or interpretations of tax laws and regulations;
- Management’s ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputation risk; and
- The risks and uncertainties more fully discussed in the section entitled “Risk Factors” of this report.

In addition, U.S. Bancorp’s acquisition of MUFG Union Bank presents risks and uncertainties, including, among others: the risk that the cost savings, any revenue synergies and other anticipated benefits of the acquisition may not be realized or may take longer than anticipated to be realized; and the possibility that the combination of MUFG Union Bank with U.S. Bancorp, including the integration of MUFG Union Bank, may be more costly or difficult to complete than anticipated or have unanticipated adverse results.

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. Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

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Management's Discussion and Analysis

Overview

In 2022, U.S. Bancorp and its subsidiaries (the "Company") continued to demonstrate financial strength and a diversified business model by maintaining sound credit quality and a strong capital and liquidity position, while continuing to invest in key business initiatives to drive growth in the future.

MUFG Union Bank Acquisition On December 1, 2022, the Company acquired MUFG Union Bank N.A.'s core regional banking franchise ("MUB") from Mitsubishi UFJ Financial Group, Inc. Pursuant to the terms of a previously announced Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of common stock of MUB for a purchase price consisting of \$5.5 billion in cash and approximately 44 million shares of the Company's common stock. The Company also received additional MUB capital of \$3.5 billion upon completion of the acquisition. The additional capital received is held at the MUB subsidiary and required to be repaid to Mitsubishi UFJ Financial Group, Inc. on or prior to the fifth anniversary date of the completion of the purchase, in accordance with the terms of the Share Purchase Agreement. As such, it is recognized as debt at the parent company. The transaction excludes the purchase of substantially all of MUB's Global Corporate & Investment Bank (other than certain deposits), certain middle and back-office functions, and other assets. MUB operates approximately 300 branches in California, Washington and Oregon. The Company's 2022 results reflect MUB's operations for the month of December 2022, and the Company's balance sheet as of December 31, 2022 includes MUB's balances acquired or assumed in the transaction, including \$81.4 billion in total assets, \$53.1 billion of loans and \$82.0 billion of deposits. As of the date of acquisition, MUB is a wholly-owned subsidiary of the Company and an affiliate of U.S. Bank National Association ("USBNA"), the Company's primary banking subsidiary. The Company expects to merge MUB into USBNA in connection with the conversion of MUB customers and systems to the USBNA platform over Memorial Day weekend in 2023.

Financial Performance The Company earned \$5.8 billion in 2022, or \$3.69 per diluted common share, compared with \$8.0 billion, or \$5.10 per diluted common share in 2021. Financial performance for 2022, compared with 2021, included the following:

- Net interest income increased \$2.2 billion (17.8 percent) due to the impact of rising rates on earnings assets and growth in average loan and investment securities balances, partially offset by deposit pricing and changes in funding mix;
- Noninterest income decreased \$771 million (7.5 percent) primarily due to lower mortgage banking revenue, and lower other noninterest income driven by the impact of interest rate economic hedges related to the MUB acquisition, partially offset by higher trust and investment management fees and payment services revenue;
- Noninterest expense increased \$1.2 billion (8.6 percent), reflecting operating expenses and merger and integration charges related to the MUB acquisition, along with increases in compensation and employee benefits expense, marketing and business development expense and other noninterest expense;

- The provision for credit losses increased \$3.2 billion, driven by the impact of loan growth and increasing economic uncertainty, as well as the initial provision for credit losses related to the MUB acquisition and the provision impact of balance sheet repositioning and capital management actions taken in 2022 in connection with the acquisition;
- Average loans increased \$36.6 billion (12.3 percent) primarily due to higher average commercial loans and residential mortgages, including the impact of the MUB acquisition; and
- Average deposits increased \$28.1 billion (6.5 percent), driven by increases in average total savings deposits and time deposits including the impact of the MUB acquisition, partially offset by a decrease in average noninterest bearing deposits.

Credit Quality The Company continues to maintain strong credit quality as it prudently manages credit underwriting.

- The allowance for credit losses was \$7.4 billion at December 31, 2022, an increase of \$1.2 billion compared with December 31, 2021. The increase included the impacts of the MUB acquisition, along with loan growth and increased economic uncertainty.
- Nonperforming assets were \$1.0 billion at December 31, 2022, an increase of \$138 million compared with December 31, 2021. The increase was driven by acquired balances related to the MUB acquisition, partially offset by decreases in nonperforming loans in the legacy portfolio.
- Net charge-offs were \$1.1 billion in 2022, an increase of \$381 million compared with 2021. The increase reflected approximately \$179 million related to the purchase accounting treatment for acquired MUB loans, as well as the impact related to balance sheet repositioning and capital management actions taken during 2022 in connection with the acquisition.

Capital Management At December 31, 2022, all of the Company's regulatory capital ratios exceeded regulatory "well-capitalized" requirements.

- The Company's common equity tier 1 capital ratio was 8.4 percent at December 31, 2022.
- During 2022, the Company announced a 4.3 percent increase in the quarterly dividend rate per common share.

The Company's financial strength, diversified business model and strong credit quality position it well for 2023. Economic uncertainty in both the domestic and global economies currently exists. The Company's business model is resilient due to disciplined credit underwriting standards and robust risk management infrastructure. The Company remains focused on prudent balance sheet growth and the prudent allocation of capital to lines of business and products best served to deliver on its strategic vision. The Company's growth strategy is focused on creating value for its customers, communities and shareholders, which will allow it to continue to generate industry-leading performance.

TABLE 1 Selected Financial Data

Year Ended December 31

(Dollars and Shares in Millions, Except Per Share Data)

	2022	2021	2020
Condensed Income Statement			
Net interest income	\$ 14,728	\$ 12,494	\$ 12,825
Taxable-equivalent adjustment ^(a)	118	106	99
Net interest income (taxable-equivalent basis) ^(b)	14,846	12,600	12,924
Noninterest income	9,456	10,227	10,401
Total net revenue	24,302	22,827	23,325
Noninterest expense	14,906	13,728	13,369
Provision for credit losses	1,977	(1,173)	3,806
Income before taxes	7,419	10,272	6,150
Income taxes and taxable-equivalent adjustment	1,581	2,287	1,165
Net income	5,838	7,985	4,985
Net (income) loss attributable to noncontrolling interests	(13)	(22)	(26)
Net income attributable to U.S. Bancorp	\$ 5,825	\$ 7,963	\$ 4,959
Net income applicable to U.S. Bancorp common shareholders	\$ 5,501	\$ 7,605	\$ 4,621
Per Common Share			
Earnings per share	\$ 3.69	\$ 5.11	\$ 3.06
Diluted earnings per share	3.69	5.10	3.06
Dividends declared per share	1.88	1.76	1.68
Book value per share ^(c)	28.71	32.71	31.26
Market value per share	43.61	56.17	46.59
Average common shares outstanding	1,489	1,489	1,509
Average diluted common shares outstanding	1,490	1,490	1,510
Financial Ratios			
Return on average assets	.98%	1.43%	.93%
Return on average common equity	12.6	16.0	10.0
Net interest margin (taxable-equivalent basis) ^(a)	2.72	2.49	2.68
Efficiency ratio ^(b)	61.4	60.4	57.8
Net charge-offs as a percent of average loans outstanding	.32	.23	.58
Average Balances			
Loans	\$333,573	\$296,965	\$307,269
Loans held for sale	3,829	8,024	6,985
Investment securities ^(d)	169,442	154,702	125,954
Earning assets	545,343	506,141	481,402
Assets	592,149	556,532	531,207
Noninterest-bearing deposits	120,394	127,204	98,539
Deposits	462,384	434,281	398,615
Short-term borrowings	25,740	14,774	19,182
Long-term debt	33,114	36,682	44,040
Total U.S. Bancorp shareholders' equity	50,416	53,810	52,246
Period End Balances			
Loans	\$388,213	\$312,028	\$297,707
Investment securities	161,650	174,821	136,840
Assets	674,805	573,284	553,905
Deposits	524,976	456,083	429,770
Long-term debt	39,829	32,125	41,297
Total U.S. Bancorp shareholders' equity	50,766	54,918	53,095
Asset Quality			
Nonperforming assets	\$ 1,016	\$ 878	\$ 1,298
Allowance for credit losses	7,404	6,155	8,010
Allowance for credit losses as a percentage of period-end loans	1.91%	1.97%	2.69%
Capital Ratios			
Common equity tier 1 capital	8.4%	10.0%	9.7%
Tier 1 capital	9.8	11.6	11.3
Total risk-based capital	11.9	13.4	13.4
Leverage	7.9	8.6	8.3
Total leverage exposure	6.4	6.9	7.3
Tangible common equity to tangible assets ^(b)	4.5	6.8	6.9
Tangible common equity to risk-weighted assets ^(b)	6.0	9.2	9.5
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the current expected credit losses methodology ^(b)	8.1	9.6	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 59.

(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 \$5.8 billion in 2022, or \$3.69 per diluted common share, compared with \$8.0 billion, or \$5.10 per diluted common share, in 2021. Return on average assets and return on average common equity were 0.98 percent and 12.6 percent, respectively, in 2022, compared with 1.43 percent and 16.0 percent, respectively, in 2021. The results for 2022 included the impact of the 2022 acquisition of MUB. The transaction closed on December 1, 2022 and results reflect one month of operating results of MUB including \$255 million of net interest income, \$47 million of fee income and \$221 million of noninterest expense. In addition, the results for 2022 included the impact of certain actions directly related to the acquisition, including \$399 million of losses primarily related to interest rate economic hedges, entered into after regulatory approval for the acquisition was obtained, to manage the impact of interest rate volatility on capital prior to closing the transaction, \$329 million of merger and integration charges, and \$791 million of provision for credit losses related to acquired loans and balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 in connection with the acquisition. Combined, these items decreased 2022 diluted earnings per common share by \$0.76.

Total net revenue for 2022 was \$1.5 billion (6.5 percent) higher than 2021, reflecting a 17.9 percent increase in net interest income (17.8 percent on a taxable-equivalent basis) and a 7.5 percent decrease in noninterest income. The increase in net interest income from the prior year was due to the impact of rising rates on earning assets and strong growth in average loan and investment securities balances, partially offset by deposit pricing and changes in funding mix. The reduction in noninterest income reflected lower mortgage banking revenue due to a decline in refinancing activities, and lower other noninterest income driven by the impact of interest rate economic hedges related to the MUB acquisition, partially offset by higher trust and investment management fees and payment services revenue.

Noninterest expense in 2022 was \$1.2 billion (8.6 percent) higher than 2021, reflecting operating expenses and merger and integration charges related to the MUB acquisition, as well as increases in legacy compensation and employee benefits expense, marketing and business development expense and other noninterest expense.

Results for 2021 Compared With 2020 For discussion related to changes in financial condition and results of operations for 2021 compared with 2020, refer to “Management’s Discussion

and Analysis” in the Company’s Annual Report for the year ended December 31, 2021, included as Exhibit 13 to the Company’s Form 10-K filed with the Securities and Exchange Commission on February 22, 2022.

Statement of Income Analysis

Net Interest Income Net interest income, on a taxable-equivalent basis, was \$14.8 billion in 2022, compared with \$12.6 billion in 2021. The \$2.2 billion (17.8 percent) increase in net interest income, on a taxable-equivalent basis, in 2022 compared with 2021, was primarily due to the impact of rising interest rates on earning assets, strong growth in loan and investment securities balances and the impact of loans and investment securities acquired related to MUB partially offset by deposit pricing and changes in funding mix. Average earning assets were \$39.2 billion (7.7 percent) higher in 2022, compared with 2021, reflecting increases in loans and investment securities, partially offset by a decrease in interest-bearing deposits with banks. The net interest margin, on a taxable-equivalent basis, in 2022 was 2.72 percent, compared with 2.49 percent in 2021. The increase in the net interest margin in 2022, compared with 2021, was due to the impact of higher rates on earning assets, partially offset by deposit pricing and short-term borrowing costs given the rise in short-term interest rates. 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 \$333.6 billion in 2022, compared with \$297.0 billion in 2021. The \$36.6 billion (12.3 percent) increase was due to growth in all loan classes, including a \$4.6 billion impact related to the MUB acquisition. Average commercial loans increased \$20.9 billion (20.4 percent), primarily due to higher utilization driven by working capital needs of corporate customers, slower payoffs given higher volatility in the capital markets, as well as core growth. Average residential mortgages increased \$10.1 billion (13.6 percent) driven by slower refinance activity, along with the impact related to the MUB acquisition. Average commercial real estate loans increased \$2.3 billion (6.0 percent), primarily the result of reduced payoff activity and MUB balances. Average credit card loans increased \$1.8 billion (8.5 percent) primarily due to increased consumer spending, account growth and lower payment rates. Average other retail loans increased \$1.4 billion (2.4 percent), driven by higher auto and recreational vehicle loans, partially offset by lower retail leasing balances.

TABLE 2 Analysis of Net Interest Income^(a)

Year Ended December 31 (Dollars in Millions)	2022	2021	2020	2022 v 2021	2021 v 2020
Components of Net Interest Income					
Income on earning assets (taxable-equivalent basis)	\$ 18,066	\$ 13,593	\$ 14,942	\$ 4,473	\$ (1,349)
Expense on interest-bearing liabilities (taxable-equivalent basis) . . .	3,220	993	2,018	2,227	(1,025)
Net interest income (taxable-equivalent basis) ^(b)	\$ 14,846	\$ 12,600	\$ 12,924	\$ 2,246	\$ (324)
Net interest income, as reported	\$ 14,728	\$ 12,494	\$ 12,825	\$ 2,234	\$ (331)
Average Yields and Rates Paid					
Earning assets yield (taxable-equivalent basis)	3.31%	2.69%	3.10%	.62%	(.41)%
Rate paid on interest-bearing liabilities (taxable-equivalent basis) . . .	.80	.28	.56	.52	(.28)
Gross interest margin (taxable-equivalent basis)	2.51%	2.41%	2.54%	.10%	(.13)%
Net interest margin (taxable-equivalent basis)	2.72%	2.49%	2.68%	.23%	(.19)%
Average Balances					
Investment securities ^(c)	\$169,442	\$154,702	\$125,954	\$14,740	\$ 28,748
Loans	333,573	296,965	307,269	36,608	(10,304)
Earning assets	545,343	506,141	481,402	39,202	24,739
Noninterest-bearing deposits	120,394	127,204	98,539	(6,810)	28,665
Interest-bearing deposits	341,990	307,077	300,076	34,913	7,001
Total deposits	462,384	434,281	398,615	28,103	35,666
Interest-bearing liabilities	400,844	358,533	363,298	42,311	(4,765)

(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 59.

(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 2022 were \$14.7 billion (9.5 percent) higher than in 2021, primarily due to purchases of mortgage-backed and U.S. Treasury securities, net of prepayments, sales and maturities in the legacy portfolio, along with the \$1.2 billion impact of the MUB acquisition.

Average total deposits for 2022 were \$28.1 billion (6.5 percent) higher than 2021, including the \$7.2 billion impact of the MUB acquisition. Average total savings deposits were \$28.8 billion (10.2 percent) higher in 2022, compared with 2021, driven by increases in Corporate and Commercial Banking, and Consumer and Business Banking balances, partially offset by

decreases in Wealth Management and Investment Services balances. Average time deposits for 2022 were \$6.1 billion (24.8 percent) higher than 2021, primarily driven by increases in Corporate and Commercial Banking balances, partially offset by decreases in Consumer and Business Banking balances. Changes in time deposits are primarily related to those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics. Average noninterest-bearing deposits were \$6.8 billion (5.4 percent) lower in 2022, compared with 2021, driven by decreases in Corporate and Commercial Banking, and Payment Services balances.

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

Year Ended December 31 (Dollars in Millions)	2022 v 2021			2021 v 2020		
	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Increase (decrease) in						
Interest Income						
Investment securities	\$ 231	\$ 792	\$1,023	\$ 569	\$ (623)	\$ (54)
Loans held for sale	(121)	90	(31)	32	(16)	16
Loans						
Commercial	547	1,109	1,656	(311)	(197)	(508)
Commercial real estate	73	363	436	(63)	(175)	(238)
Residential mortgages	336	(38)	298	35	(224)	(189)
Credit card	193	112	305	(74)	(40)	(114)
Other retail	50	116	166	95	(321)	(226)
Total loans	1,199	1,662	2,861	(318)	(957)	(1,275)
Interest-bearing deposits with banks	(8)	525	517	9	(27)	(18)
Other earning assets	8	95	103	(3)	(15)	(18)
Total earning assets	1,309	3,164	4,473	289	(1,638)	(1,349)
Interest Expense						
Interest-bearing deposits						
Interest checking	3	250	253	15	(56)	(41)
Money market savings	16	1,005	1,021	(37)	(292)	(329)
Savings accounts	1	2	3	9	(48)	(39)
Time deposits	23	252	275	(110)	(111)	(221)
Total interest-bearing deposits	43	1,509	1,552	(123)	(507)	(630)
Short-term borrowings	52	446	498	(33)	(41)	(74)
Long-term debt	(59)	236	177	(155)	(166)	(321)
Total interest-bearing liabilities	36	2,191	2,227	(311)	(714)	(1,025)
Increase (decrease) in net interest income	\$1,273	\$ 973	\$2,246	\$ 600	\$ (924)	\$ (324)

(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.

The provision for credit losses was \$2.0 billion in 2022, compared with a benefit of \$1.2 billion in 2021. The change was driven by the Company recognizing a provision for credit losses of \$662 million during 2022 related to the acquisition of MUB and a \$129 million provision impact of balance sheet repositioning and capital management actions taken in the fourth quarter of 2022, along with the impact of strong loan growth in the legacy portfolio and increasing economic uncertainty. The benefit recognized in 2021 reflected the enactment of government

stimulus programs and economic recovery from the pandemic in the United States, which resulted in decreases in the allowance for credit losses. Net charge-offs increased \$381 billion (55.9 percent) in 2022, compared with 2021, reflecting \$179 million of uncollectible MUB acquired loans, of which the majority of this balance related to loans that were previously charged-off by MUB, along with \$189 million of net charge-offs related to balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 in connection with the acquisition.

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)	2022	2021	2020	2022 v 2021	2021 v 2020
Card revenue	\$1,512	\$ 1,507	\$ 1,338	.3%	12.6%
Corporate payment products revenue	698	575	497	21.4	15.7
Merchant processing services	1,579	1,449	1,261	9.0	14.9
Trust and investment management fees	2,209	1,832	1,736	20.6	5.5
Service charges	1,298	1,338	1,245	(3.0)	7.5
Commercial products revenue	1,105	1,102	1,143	.3	(3.6)
Mortgage banking revenue	527	1,361	2,064	(61.3)	(34.1)
Investment products fees	235	239	192	(1.7)	24.5
Securities gains (losses), net	20	103	177	(80.6)	(41.8)
Other	273	721	748	(62.1)	(3.6)
Total noninterest income	\$9,456^(a)	\$10,227	\$10,401	(7.5)%	(1.7)%

^(a) Includes \$399 million of losses primarily related to interest rate economic hedges, entered into after regulatory approval for the MUB acquisition was obtained, to manage the impact of interest rate volatility on capital prior to closing the transaction.

Noninterest Income Noninterest income in 2022 was \$9.5 billion, compared with \$10.2 billion in 2021. The \$771 million (7.5 percent) decrease in 2022 from 2021 reflected lower mortgage banking revenue, lower other noninterest income, lower service charges and lower gains on the sale of securities, partially offset by higher trust and investment management fees and payment services revenue. Mortgage banking revenue decreased 61.3 percent in 2022, compared with 2021, reflecting lower application volume, given declining refinancing activities experienced in the mortgage industry, lower related gain on sale margins and lower performing loan sales, partially offset by increases in mortgage servicing rights ("MSRs") valuations, net of hedging activities. Other noninterest income decreased 62.1 percent in 2022, compared with 2021, primarily due to the impact of interest rate economic hedges, entered into after regulatory approval of the MUB acquisition was obtained, to manage the impact of interest rate volatility on capital prior to closing the transaction in December, as well as lower retail leasing end-of-term residual gains. Service charges

decreased 3.0 percent primarily due to the impact of the elimination of certain consumer overdraft fees in 2022. Trust and investment management fees increased 20.6 percent primarily due to lower money market fee waivers, activity related to the fourth quarter of 2021 acquisition of PFM Asset Management LLC ("PFM") and core business growth, partially offset by unfavorable market conditions. Payment services revenue increased in 2022, compared with 2021, driven by a 21.4 percent increase in corporate payment products revenue and a 9.0 percent increase in merchant processing services revenue. Corporate payment products revenue increased due to improving business spending across all product groups, while merchant processing services revenue increased driven by higher sales volume and merchant fees. The increase in merchant processing services revenue was partially offset by the impact of foreign currency rate changes, as the U.S. dollar has strengthened considerably compared to European currencies given recent uncertainties in Europe.

TABLE 5 Noninterest Expense

Year Ended December 31 (Dollars in Millions)	2022	2021	2020	2022 v 2021	2021 v 2020
Compensation and employee benefits	\$ 9,157	\$ 8,728	\$ 7,938	4.9%	10.0%
Net occupancy and equipment	1,096	1,048	1,092	4.6	(4.0)
Professional services	529	492	430	7.5	14.4
Marketing and business development	456	366	318	24.6	15.1
Technology and communications	1,726	1,728	1,582	(.1)	9.2
Other intangibles	215	159	176	35.2	(9.7)
Other	1,398	1,207	1,833	15.8	(34.2)
Total before merger and integration charges	14,577	13,728	13,369	6.2	2.7
Merger and integration charges	329	—	—	*	—
Total noninterest expense	\$14,906	\$13,728	\$13,369	8.6%	2.7%
Efficiency ratio^(a)	61.4%	60.4%	57.8%		

* Not meaningful

(a) See Non-GAAP Financial Measures beginning on page 59.

Noninterest Expense Noninterest expense in 2022 was \$14.9 billion, compared with \$13.7 billion in 2021. The Company's efficiency ratio was 61.4 percent in 2022, compared with 60.4 percent in 2021. The \$1.2 billion (8.6 percent) increase in noninterest expense in 2022 over 2021 was driven by higher compensation and employee benefits expense, marketing and business development expense, net occupancy and equipment expense and other noninterest expense. The increase in noninterest expense included the impact of the MUB acquisition, including \$329 million of merger and integration-related charges and \$42 million of intangible amortization primarily related to core deposit intangibles. Compensation and employee benefits expense increased 4.9 percent in 2022 over 2021, primarily due to MUB expense as well as merit increases and hiring to support business growth and higher post-pandemic medical expenses, partially offset by lower performance-based incentives and variable compensation. Marketing and business development expense increased 24.6 percent due to the timing of marketing campaigns as well as increased travel and entertainment. Net occupancy and equipment expense increased 4.6 percent to support business growth. Other noninterest expense increased 15.8 percent due to accruals related to future delivery exposures for merchant and airline processing as processing volumes recover, higher Federal Deposit Insurance Company ("FDIC") insurance expense driven by an increase in the assessment base and rate, and higher other accruals, partially offset by lower costs related to tax-advantaged projects and lower other expenses related to the decline in mortgage production.

Income Tax Expense The provision for income taxes was \$1.5 billion (an effective rate of 20.0 percent) in 2022, compared with \$2.2 billion (an effective rate of 21.5 percent) in 2021.

For further information on income taxes, refer to Note 19 of the Notes to Consolidated Financial Statements.

Balance Sheet Analysis

Average earning assets were \$545.3 billion in 2022, compared with \$506.1 billion in 2021. The increase in average earning assets of \$39.2 billion (7.7 percent), including the \$6.5 billion (1.3 percent) impact of the MUB acquisition, was primarily due to increases in loans of \$36.6 billion (12.3 percent) and investment securities of \$14.7 billion (9.5 percent), partially offset by a decrease in interest-bearing deposits with banks of \$8.5 billion (21.3 percent).

For average balance information, refer to Consolidated Daily Average Balance Sheet and Related Yields and Rates on page 138.

Loans The Company's loan portfolio was \$388.2 billion at December 31, 2022, compared with \$312.0 billion at December 31, 2021, an increase of \$76.2 billion (24.4 percent), which includes \$53.1 billion of loans acquired from MUB. The increase was driven by increases in residential mortgages of \$39.4 billion (51.4 percent), commercial loans of \$23.7 billion (21.1 percent), commercial real estate loans of \$16.4 billion (42.1 percent), credit card loans of \$3.8 billion (16.9 percent), partially offset by a decrease in other retail loans of \$7.1 billion (11.4 percent). Table 6 provides a summary of the loan distribution by product type, while Table 7 provides a summary of the selected loan maturity distribution by loan category. Average total loans increased \$36.6 billion (12.3 percent) in 2022, compared with 2021. The increase was primarily driven by higher commercial loans and residential mortgages.

TABLE 6 Loan Portfolio Distribution

At December 31 (Dollars in Millions)	2022		2021	
	Amount	Percent of Total	Amount	Percent of Total
Commercial				
Commercial	\$131,128	33.8%	\$106,912	34.3%
Lease financing	4,562	1.2	5,111	1.6
Total commercial	135,690	35.0	112,023	35.9
Commercial Real Estate				
Commercial mortgages	43,765	11.3	28,757	9.2
Construction and development	11,722	3.0	10,296	3.3
Total commercial real estate	55,487	14.3	39,053	12.5
Residential Mortgages				
Residential mortgages	107,858	27.8	67,546	21.6
Home equity loans, first liens	7,987	2.0	8,947	2.9
Total residential mortgages	115,845	29.8	76,493	24.5
Credit Card	26,295	6.8	22,500	7.2
Other Retail				
Retail leasing	5,519	1.4	7,256	2.3
Home equity and second mortgages	12,863	3.3	10,446	3.4
Revolving credit	3,983	1.0	2,750	.9
Installment	14,592	3.8	16,641	5.3
Automobile	17,939	4.6	24,866	8.0
Total other retail	54,896	14.1	61,959	19.9
Total loans	\$388,213	100.0%	\$312,028	100.0%

TABLE 7 Selected Loan Maturity Distribution

At December 31, 2022 (Dollars in Millions)	One Year or Less	Over One Through Five Years	Over Five Through Fifteen Years	Over Fifteen Years	Total
Commercial	\$29,430	\$ 96,841	\$ 9,158	\$ 261	\$135,690
Commercial real estate	12,181	27,081	8,136	8,089 ^(a)	55,487
Residential mortgages	3,303	5,042	21,350	86,150	115,845
Credit card	26,295	—	—	—	26,295
Other retail	3,428	17,759	18,643	15,066	54,896
Total loans	\$74,637	\$146,723	\$57,287	\$109,566	\$388,213

Total of loans due after one year with:

	Predetermined Interest Rates	Floating Interest Rates
Commercial	\$ 14,892	\$ 91,368
Commercial real estate	14,761	28,545
Residential mortgages	64,306	48,236
Credit card	—	—
Other retail	38,959	12,509
Total	\$132,918	\$180,658

(a) Primarily represents construction loans for single-family residences or loans guaranteed by the Small Business Administration.

TABLE 8 Commercial Loans by Industry Group and Geography

At December 31 (Dollars in Millions)	2022		2021	
	Loans	Percent	Loans	Percent
Industry Group				
Real-estate related	\$ 19,539	14.4%	\$ 16,646	14.9%
Financial institutions	17,381	12.8	14,002	12.5
Personal, professional and commercial services	10,106	7.5	7,095	6.3
Healthcare	8,536	6.3	6,923	6.2
Automotive	7,154	5.3	7,590	6.8
Media and entertainment	5,867	4.3	4,623	4.1
Food and beverage	5,574	4.1	4,097	3.6
Technology	5,425	4.0	5,119	4.6
Capital goods	5,332	3.9	4,099	3.6
Retail	5,128	3.8	4,717	4.2
Transportation	4,988	3.7	3,895	3.5
Power	4,945	3.6	3,028	2.7
Energy	3,811	2.8	2,299	2.1
Metals and mining	3,700	2.7	3,342	3.0
Education and non-profit	3,609	2.7	3,721	3.3
Building materials	3,293	2.4	2,687	2.4
State and municipal government	3,240	2.4	3,166	2.8
Agriculture	1,909	1.4	1,796	1.6
Other	16,153	11.9	13,178	11.8
Total	\$135,690	100.0%	\$112,023	100.0%
Geography				
California	\$ 23,736	17.5%	\$ 15,439	13.8%
Texas	10,244	7.6	6,748	6.0
New York	8,989	6.6	7,483	6.7
Illinois	7,626	5.6	6,572	5.9
Minnesota	6,707	5.0	6,730	6.0
Ohio	4,497	3.3	4,310	3.8
Wisconsin	4,112	3.0	3,894	3.5
Florida	3,777	2.8	3,790	3.4
Washington	3,721	2.7	2,936	2.6
Colorado	3,613	2.7	3,791	3.4
All other states	58,668	43.2	50,330	44.9
Total	\$135,690	100.0%	\$112,023	100.0%

Commercial Commercial loans, including lease financing, increased \$23.7 billion (21.1 percent) at December 31, 2022, compared with December 31, 2021, due to higher utilization driven by working capital needs of corporate customers, slower payoffs given higher volatility in the capital markets, core growth and the impact of the MUB acquisition. Average commercial

loans increased \$20.9 billion (20.4 percent) in 2022, compared with 2021. Table 8 provides a summary of commercial loans by industry and geographical location.

TABLE 9 Commercial Real Estate Loans by Property Type and Geography

At December 31 (Dollars in Millions)	2022		2021	
	Loans	Percent	Loans	Percent
Property Type				
Multi-family	\$16,722	30.1%	\$ 9,293	23.8%
Business owner occupied	11,487	20.7	8,238	21.1
Office	7,239	13.1	5,814	14.9
Industrial	5,258	9.5	3,672	9.4
Residential land and development	4,454	8.0	2,788	7.1
Retail	4,011	7.2	3,382	8.7
Lodging	1,932	3.5	2,422	6.2
Other	4,384	7.9	3,444	8.8
Total	\$55,487	100.0%	\$39,053	100.0%
Geography				
California	\$22,250	40.1%	\$ 9,683	24.8%
Washington	4,235	7.6	3,680	9.4
New York	2,547	4.6	859	2.2
Texas	2,337	4.2	1,662	4.3
Illinois	1,830	3.3	1,409	3.6
Colorado	1,648	3.0	1,684	4.3
Oregon	1,622	2.9	1,526	3.9
Minnesota	1,470	2.7	1,717	4.4
Florida	1,276	2.3	1,520	3.9
Ohio	1,247	2.2	1,215	3.1
All other states	15,025	27.1	14,098	36.1
Total	\$55,487	100.0%	\$39,053	100.0%

Commercial Real Estate The Company's portfolio of commercial real estate loans, which includes commercial mortgages and construction and development loans, increased \$16.4 billion (42.1 percent) at December 31, 2022, compared with December 31, 2021. The increase was primarily due to the impact of the MUB acquisition. Average commercial real estate loans increased \$2.3 billion (6.0 percent) in 2022, compared with 2021. Table 9 provides a summary of commercial real estate loans by property type and geographical location.

The Company's commercial mortgage and construction and development loans had unfunded commitments of \$13.8 billion and \$11.8 billion at December 31, 2022 and 2021, respectively.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate but have similar characteristics to commercial real estate loans. These loans were included in the commercial loan category and totaled \$19.5 billion and \$16.6 billion at December 31, 2022 and 2021, respectively.

TABLE 10 Residential Mortgages by Geography

At December 31 (Dollars in Millions)	2022		2021	
	Loans	Percent	Loans	Percent
California	\$ 53,967	46.7%	\$23,568	30.8%
Washington	6,343	5.5	4,002	5.2
Colorado	4,192	3.6	3,612	4.7
Florida	3,946	3.4	3,340	4.4
Minnesota	3,692	3.2	3,767	4.9
Illinois	3,592	3.1	3,392	4.4
Arizona	3,178	2.7	2,684	3.5
Texas	2,801	2.4	2,209	2.9
Oregon	2,701	2.3	2,332	3.1
Massachusetts	2,536	2.2	1,995	2.6
All other states	28,897	24.9	25,592	33.5
Total	\$115,845	100.0%	\$76,493	100.0%

Residential Mortgages Residential mortgages held in the loan portfolio at December 31, 2022, increased \$39.4 billion (51.4 percent) compared to December 31, 2021, due to \$26.4 billion of acquired MUB residential mortgages, as well as stronger on-balance sheet loan activities and slower refinance activity. Average residential mortgages increased \$10.1 billion (13.6 percent) in 2022, compared with 2021. Residential mortgages originated and placed in the Company's loan portfolio include well-secured jumbo mortgages and branch-originated first lien home equity loans to borrowers with high credit quality.

Credit Card Total credit card loans increased \$3.8 billion (16.9 percent) at December 31, 2022, compared with December 31, 2021, primarily driven by higher spend volumes, account growth and lower payment rates. Average credit card balances increased \$1.8 billion (8.5 percent) in 2022, compared with 2021.

Other Retail Total other retail loans, which include retail leasing, home equity and second mortgages and other retail loans, decreased \$7.1 billion (11.4 percent) at December 31, 2022, compared with December 31, 2021, reflecting decreases in auto loans, installment loans and retail leasing balances, partially offset by increases in home equity loans and revolving credit balances. The decrease in auto loans was primarily driven by the sale of approximately \$4 billion of indirect auto loans as part of balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 in connection with the acquisition of MUB. Average other retail loans increased \$1.4 billion (2.4 percent) in 2022, compared with 2021. Tables 10, 11 and 12 provide a geographic summary of residential mortgages, credit card loans and other retail loans outstanding, respectively, as of December 31, 2022 and 2021.

TABLE 11 Credit Card Loans by Geography

At December 31 (Dollars in Millions)	2022		2021	
	Loans	Percent	Loans	Percent
California	\$ 2,609	9.9%	\$ 2,134	9.5%
Texas	1,584	6.0	1,343	6.0
Illinois	1,330	5.1	1,108	4.9
Ohio	1,320	5.0	1,113	4.9
Minnesota	1,257	4.8	1,109	4.9
Florida	1,252	4.8	1,046	4.6
Wisconsin	1,029	3.9	895	4.0
Michigan	925	3.5	822	3.7
Colorado	862	3.3	761	3.4
Missouri	850	3.2	704	3.1
All other states	13,277	50.5	11,465	51.0
Total	\$26,295	100.0%	\$22,500	100.0%

TABLE 12 Other Retail Loans by Geography

At December 31 (Dollars in Millions)	2022		2021	
	Loans	Percent	Loans	Percent
California	\$11,098	20.2%	\$ 9,605	15.5%
Texas	5,149	9.4	7,570	12.2
Florida	3,449	6.3	3,850	6.2
Minnesota	2,527	4.6	2,947	4.8
Illinois	2,180	4.0	2,692	4.3
Ohio	2,083	3.8	2,634	4.2
Washington	1,999	3.6	1,913	3.1
New York	1,878	3.4	2,014	3.3
Colorado	1,673	3.0	1,859	3.0
Oregon	1,414	2.6	1,451	2.3
All other states	21,446	39.1	25,424	41.1
Total	\$54,896	100.0%	\$61,959	100.0%

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

\$2.2 billion at December 31, 2022, compared with \$7.8 billion at December 31, 2021. The decrease in loans held for sale was principally due to a lower level of mortgage loan closings in late 2022, compared with the same period of 2021. Almost all of the residential mortgage loans the Company originates or purchases for sale follow guidelines that allow the loans to be sold into existing, highly liquid secondary markets, in particular in government agency transactions and to government sponsored enterprises ("GSEs").

TABLE 13 Investment Securities

At December 31 (Dollars in Millions)	2022				2021			
	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield ^(d)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield ^(d)
Held-to-maturity								
U.S. Treasury and agencies	\$ 1,344	\$ 1,293	3.3	2.85%	\$ —	\$ —	—	—%
Mortgage-backed securities ^(a)	87,396	76,581	9.3	2.17	41,858	41,812	7.4	1.45
Total held-to-maturity	\$88,740	\$77,874	9.2	2.18%	\$ 41,858	\$ 41,812	7.4	1.45%
Available-for-sale								
U.S. Treasury and agencies	\$24,801	\$22,033	7.1	2.43%	\$ 36,648	\$ 36,609	6.7	1.54%
Mortgage-backed securities ^(a)	40,803	36,423	6.6	2.83	85,394	85,564	4.9	1.58
Asset-backed securities ^(a)	4,356	4,323	1.3	4.59	62	66	5.2	1.53
Obligations of state and political subdivisions ^{(b)(c)}	11,484	10,125	13.6	3.76	10,130	10,717	6.6	3.67
Other	6	6	.1	1.99	7	7	3.4	2.07
Total available-for-sale	\$81,450	\$72,910	7.4	2.94%	\$132,241	\$132,963	5.5	1.73%

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

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

Investment securities totaled \$161.7 billion at December 31, 2022, compared with \$174.8 billion at December 31, 2021. The \$13.2 billion (7.5 percent) decrease was primarily due to \$25.4 billion of net investment sales, including the sale of certain investment securities acquired as part of the MUB acquisition, and a \$13.3 billion unfavorable change in net unrealized gains (losses) on available-for-sale investment securities, partially offset by \$22.7 billion of acquired investment securities and \$3.4 billion of senior notes the Company received as part of the sale of approximately \$4 billion of indirect auto loans to third-party securitization vehicles during 2022. During 2022, the Company transferred \$45.1 billion amortized cost (\$40.7 billion fair value) of available-for-sale investment securities to the held-to-maturity category to reflect its new intent for these securities. Average investment securities were \$169.4 billion in 2022, compared with \$154.7 billion in 2021. 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, 2022, the Company's net unrealized losses on available-for-sale investment securities were \$8.5 billion, compared with net unrealized gains of \$722 million at December 31, 2021. The unfavorable change in net unrealized gains (losses) was primarily due to decreases in the fair value of mortgage-backed, U.S. Treasury and state and political securities as a result of changes in interest rates, partially offset by the impact of the transfer of available-for-sale investment securities to the held-to-maturity category. Gross unrealized losses on available-for-sale investment securities totaled \$8.6 billion at December 31, 2022, compared with \$812 million at December 31, 2021. 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, 2022, 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 5 and 22 in the Notes to Consolidated Financial Statements for further information on investment securities.

Deposits Total deposits were \$525.0 billion at December 31, 2022, including \$82.0 billion of deposits related to the MUB acquisition, compared with \$456.1 billion at December 31, 2021. The \$68.9 billion (15.1 percent) increase in total deposits reflected increases in total savings deposits, time deposits and noninterest-bearing deposits. Average total deposits in 2022 increased \$28.1 billion (6.5 percent) over 2021.

Interest-bearing savings deposits increased \$55.8 billion (18.7 percent) at December 31, 2022, compared with December 31, 2021. The increase was related to higher money market, interest checking and savings account deposit balances, including those balances related to the MUB acquisition. Money market deposit balances increased \$30.4 billion (25.8 percent), primarily due to higher Wealth Management and Investment Services, Corporate and Commercial Banking, and Consumer and Business Banking balances. Interest checking balances increased \$19.4 billion (16.8 percent) primarily due to higher Corporate and Commercial Banking, and Consumer and Business Banking balances. Savings account balances increased \$6.0 billion (9.1 percent), driven by higher Consumer and Business Banking balances, partially offset by lower Wealth Management and Investment Services balances. Average interest-bearing savings deposits increased \$28.8 billion (10.2 percent) in 2022, compared with 2021, reflecting higher Corporate and Commercial Banking, and Consumer and Business Banking balances, partially offset by lower Wealth Management and Investment Services balances.

Interest-bearing time deposits at December 31, 2022, increased \$10.3 billion (45.4 percent), compared with December 31, 2021. Average time deposits increased \$6.1 billion (24.8 percent) in 2022, compared with 2021. Changes in time deposits are primarily related to those deposits managed as an alternative to other funding sources, based largely on relative pricing and liquidity characteristics.

Noninterest-bearing deposits at December 31, 2022, increased \$2.8 billion (2.1 percent) from December 31, 2021. The increase was driven by higher Consumer and Business Banking balances, primarily related to the MUB acquisition, partially offset by lower Wealth Management and Investment Services, and Corporate and Commercial Banking balances. Average noninterest-bearing deposits decreased \$6.8 billion (5.4 percent) in 2022, compared with 2021.

TABLE 14 Deposits

The composition of deposits was as follows:

At December 31 (Dollars in Millions)	2022		2021	
	Amount	Percent of Total	Amount	Percent of Total
Noninterest-bearing deposits	\$137,743	26.2%	\$134,901	29.6%
Interest-bearing deposits				
Interest checking	134,491	25.6	115,108	25.2
Money market savings	148,014	28.2	117,619	25.8
Savings accounts	71,782	13.7	65,790	14.4
Total savings deposits	354,287	67.5	298,517	65.4
Domestic time deposits less than \$250,000	16,329	3.1	11,303	2.5
Domestic time deposits greater than \$250,000	11,999	2.3	2,743	.6
Foreign time deposits	4,618	.9	8,619	1.9
Total interest-bearing deposits	387,233	73.8	321,182	70.4
Total deposits ^(a)	\$524,976	100.0%	\$456,083	100.0%

(a) Includes \$289.3 billion and \$238.0 billion of deposits at December 31, 2022 and 2021, respectively, that are not subject to any federal, state or foreign deposit insurance program.

The maturity of domestic time deposits in excess of the insurance limit and those time deposits not subject to any federal, state or foreign deposit insurance program at December 31, 2022 was as follows:

(Dollars in Millions)	Domestic Time Deposits Greater Than \$250,000	Foreign Time Deposits	Total
Three months or less	\$ 5,805	\$4,618	\$10,423
Three months through six months	2,448	—	2,448
Six months through one year	1,967	—	1,967
Thereafter	1,779	—	1,779
Total	\$11,999	\$4,618	\$16,617

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 \$31.2 billion at December 31, 2022, compared with \$11.8 billion at December 31, 2021. The \$19.4 billion increase in short-term borrowings at December 31, 2022, compared with December 31, 2021, reflected higher short-term Federal Home Loan Bank (“FHLB”) advances and commercial paper balances, including assumed short-term borrowing balances as a result of the MUB acquisition.

Long-term debt was \$39.8 billion at December 31, 2022, compared with \$32.1 billion at December 31, 2021. The \$7.7 billion (24.0 percent) increase was primarily due to \$6.9 billion of medium-term note and \$1.3 billion of subordinated note issuances, along with a \$1.6 billion increase in FHLB advances including those balances assumed as a result of the MUB acquisition. In addition, long-term debt increased as a result of the \$3.5 billion obligation to repay Mitsubishi UFJ Financial Group, Inc., which was incurred as part of the acquisition. These increases were partially offset by \$3.2 billion of bank note repayments and maturities, \$1.3 billion of subordinated note repayments and \$1.0 billion of medium-term note repayments.

Refer to Notes 13 and 14 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.

Upon closing of the MUB acquisition, the Company’s risk management framework applies to the legal entities acquired from Mitsubishi UFJ Financial Group, Inc., including MUB. Prior to closing, the Company evaluated the frameworks, policies and procedures of the acquired entities as necessary. Updates were made to align the acquired entities with the Company’s risk

appetite and connect the elements of their respective risk governance and reporting into the Company's existing risk management framework. Connecting the existing MUB risk governance and reporting framework into the Company's existing risk management framework allows separate risk profiles, governance, and reporting for the Company and the acquired entities, during the period from acquisition through bank merger, while also providing the ability to consolidate reporting for the Company. Upon completing the merger of MUB into USBNA, which is expected to occur in connection with the conversion of MUB customers and systems to the USBNA platform over Memorial Day weekend in 2023, the MUB risk governance and reporting framework will no longer be applicable.

The Company's most prominent risk exposures are credit, interest rate, market, liquidity, operational, compliance, strategic, and reputation. 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 current or prospective risk to earnings and capital, or market valuations, arising from the impact 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 risk that financial condition or overall safety and soundness is adversely affected by the Company's inability, or perceived inability, to meet its cash flow obligations in a timely and complete manner in either normal or stressed conditions. 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 and resilience 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 140, 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, geopolitical events, 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 6 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. 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, 2022, substantially all of the Company's home equity lines were in the draw period. 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 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, inflation, interest rates and consumer bankruptcy filings.

During 2021, factors affecting economic conditions, including the further enactment of government stimulus programs and declining impacts from the pandemic in the United States, contributed to economic improvement. During 2022, economic

uncertainty and recession risk increased due to ongoing supply chain challenges, rising interest rates and inflationary concerns, market volatility, rising energy prices resulting from the Russia-Ukraine conflict and related pressure on corporate earnings. In addition to these broad economic factors, expected loss estimates consider various factors including customer specific information impacting changes in risk ratings, projected delinquencies, potential effects of inflationary pressures and the impact of rising interest rates on selected borrowers' liquidity and ability to repay.

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 and recreational vehicle 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 2022.

The commercial loan class is diversified among various industries with higher concentrations in real estate and financial institutions. Additionally, the commercial loan class is diversified across the Company's geographical markets, with a higher concentration in California. Table 8 provides a summary of significant industry groups and geographical locations of commercial loans outstanding at December 31, 2022 and 2021.

The commercial real estate loan class reflects the Company's focus on serving business owners within its local network, as well as regional and national investment-based real estate owners and developers. Within the commercial real estate loan class, different property types have varying degrees of credit risk. Table 9 provides a summary of the significant property types and geographical locations of commercial real estate loans outstanding at December 31, 2022 and 2021. Commercial real estate loans are diversified among various property types with higher concentrations in business owner-occupied, multi-family and office properties.

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 and correspondent banks. 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 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, 2022:

Residential Mortgages (Dollars in Millions)	Interest Only Amortizing		Percent Total of Total	
Loan-to-Value				
Less than or equal to 80% . . .	\$15,474	\$82,114	\$ 97,588	84.2%
Over 80% through 90%	557	8,440	8,997	7.8
Over 90% through 100%	44	1,514	1,558	1.4
Over 100%	6	368	374	.3
No LTV available	—	11	11	—
Loans purchased from GNMA mortgage pools ^(a)	—	7,317	7,317	6.3
Total	\$16,081	\$99,764	\$115,845	100.0%

(a) Represents loans purchased and loans that could be purchased from Government National Mortgage Association ("GNMA") mortgage pools under delinquent loan repurchase options whose payments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

Home Equity and Second Mortgages (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Loan-to-Value / Combined Loan-to-Value				
Less than or equal to 80% . . .	\$10,657	\$1,331	\$11,988	93.2%
Over 80% through 90%	574	130	704	5.5
Over 90% through 100%	61	12	73	.6
Over 100%	37	9	46	.3
No LTV/CLTV available	50	2	52	.4
Total	\$11,379	\$1,484	\$12,863	100.0%

Home equity and second mortgages were \$12.9 billion at December 31, 2022, compared with \$10.4 billion at December 31, 2021, and included \$2.9 billion of home equity lines in a first lien position and \$10.0 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, 2022, included approximately \$3.3 billion of loans and lines for which the Company also serviced the related first lien loan, and approximately \$6.7 billion where the Company did not service the related first lien loan. The Company was able to determine the status of the related first liens using information the Company has as the servicer of the first lien or information reported on customer credit bureau files. The Company also evaluates other indicators of credit risk for these junior lien loans and lines, including delinquency, estimated average CLTV ratios and updated weighted-average credit scores in making its assessment of credit risk, related loss estimates and determining the allowance for credit losses.

The following table provides a summary of delinquency statistics and other credit quality indicators for the Company's junior lien positions at December 31, 2022:

(Dollars in Millions)	Junior Liens Behind			Total
	Company Owned or Serviced		Third Party	
	First Lien	First Lien		
Total	\$3,311	\$6,693		\$10,004
Percent 30 - 89 days past due	.50%	.42%		.45%
Percent 90 days or more past due	.03%	.04%		.03%
Weighted-average CLTV	70%	68%		69%
Weighted-average credit score	782	783		783

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 10, 11 and 12 provide a geographical summary of the residential mortgage, credit card and other retail loan portfolios, respectively.

The following table provides a summary of the Company's credit card loan balances disaggregated based upon updated credit score at December 31, 2022:

	Percent of Total ^(a)
Credit score > 660	87%
Credit score < 660	13
No credit score	—

(a) Credit score distribution excludes loans serviced by others.

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

At December 31 90 days or more past due	2022	2021
Commercial		
Commercial	.07%	.05%
Lease financing	—	—
Total commercial	.07	.04
Commercial Real Estate		
Commercial mortgages	—	—
Construction and development	.03	.10
Total commercial real estate	.01	.03
Residential Mortgages^(a)	.08	.24
Credit Card	.88	.73
Other Retail		
Retail leasing	.04	.04
Home equity and second mortgages	.28	.35
Other	.08	.06
Total other retail	.12	.11
Total loans	.13%	.15%

At December 31 90 days or more past due and nonperforming loans	2022	2021
Commercial	.19%	.20%
Commercial real estate	.62	.76
Residential mortgages ^(a)	.36	.53
Credit card	.88	.73
Other retail	.37	.35
Total loans	.38%	.42%

(a) Delinquent loan ratios exclude \$2.2 billion and \$1.5 billion at December 31, 2022 and 2021, respectively, of loans purchased and loans that could be purchased from GNMA mortgage pools under delinquent loan repurchase options 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 and nonperforming to total residential mortgages was 2.28 percent and 2.43 percent at December 31, 2022 and 2021, 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. Delinquent loans purchased and loans that could be purchased from GNMA mortgage pools under delinquent loan repurchase options 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. 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. Commercial lending loans are generally not subject to re-aging policies.

Accruing loans 90 days or more past due totaled \$491 million at December 31, 2022, and included \$22 million of accruing loans 90 days or more past due acquired as part of the MUB acquisition, compared with \$472 million at December 31, 2021. 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 0.13 percent at December 31, 2022, compared with 0.15 percent at December 31, 2021.

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		As a Percent of Ending Loan Balances	
	2022	2021	2022	2021
Residential Mortgages^(a)				
30-89 days	\$201	\$124	.17%	.15%
90 days or more	95	181	.08	.24
Nonperforming	325	226	.28	.30
Total	\$621	\$531	.54%	.69%
Credit Card				
30-89 days	\$283	\$193	1.08%	.86%
90 days or more	231	165	.88	.73
Nonperforming	1	—	—	—
Total	\$515	\$358	1.96%	1.59%
Other Retail				
Retail Leasing				
30-89 days	\$ 27	\$ 29	.49%	.40%
90 days or more	2	3	.04	.04
Nonperforming	8	10	.14	.14
Total	\$ 37	\$ 42	.67%	.58%
Home Equity and Second Mortgages				
30-89 days	\$ 65	\$ 55	.51%	.53%
90 days or more	36	37	.28	.35
Nonperforming	110	116	.86	1.11
Total	\$211	\$208	1.64%	1.99%
Other^(b)				
30-89 days	\$217	\$191	.59%	.43%
90 days or more	28	26	.08	.06
Nonperforming	21	24	.06	.05
Total	\$266	\$241	.73%	.54%

(a) Excludes \$647 million of loans 30-89 days past due and \$2.2 billion of loans 90 days or more past due at December 31, 2022, purchased and that could be purchased from GNMA mortgage pools under delinquent loan repurchase options that continue to accrue interest, compared with \$791 million and \$1.5 billion at December 31, 2021.

(b) Includes revolving credit, installment and automobile 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, 2022, performing TDRs were \$3.3 billion, compared with \$3.1 billion at December 31, 2021.

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.

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, 2022 (Dollars in Millions)	Performing TDRs	As a Percent of Performing TDRs		Nonperforming TDRs	Total TDRs
		30-89 Days Past Due	90 Days or More Past Due		
Commercial	\$ 141	6.0%	2.9%	\$ 44 ^(a)	\$ 185
Commercial real estate	102	.3	—	101 ^(b)	203
Residential mortgages	1,600	2.5	2.9	122	1,722 ^(d)
Credit card	296	15.8	7.7	—	296
Other retail	179	11.2	4.5	31 ^(c)	210 ^(e)
TDRs, excluding loans purchased from GNMA mortgage pools	2,318	5.0	3.5	298	2,616
Loans purchased from GNMA mortgage pools (g)	1,018	—	—	—	1,018 ^(f)
Total	\$3,336	3.5%	2.4%	\$298	\$3,634

(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 \$205 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and \$18 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(e) Includes \$52 million of other retail loans to borrowers that have had debt discharged through bankruptcy and \$13 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(f) Includes \$155 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 \$105 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(g) Approximately 6.8 percent and 32.4 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, including previously offering payment relief to borrowers that experienced financial hardship resulting directly from the effects of the COVID-19 pandemic. 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.

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, 2022, total nonperforming assets were \$1.0 billion, and included \$329 million of nonperforming loans related to the MUB acquisition, compared with \$878 million at December 31, 2021. The \$138 million (15.7 percent) increase in nonperforming assets, from December 31, 2021 to December 31, 2022, was driven by acquired balances partially offset by decreases in legacy portfolio nonperforming loans across all loan classes. The ratio of total nonperforming assets to total loans and other real estate was 0.26 percent at December 31, 2022, compared with 0.28 percent at December 31, 2021.

OREO was \$23 million at December 31, 2022, compared with \$22 million at December 31, 2021, 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)	2022	2021
Commercial		
Commercial	\$ 139	\$ 139
Lease financing	30	35
Total commercial	169	174
Commercial Real Estate		
Commercial mortgages	251	213
Construction and development	87	71
Total commercial real estate	338	284
Residential Mortgages^(b)	325	226
Credit Card	1	—
Other Retail		
Retail leasing	8	10
Home equity and second mortgages	110	116
Other	21	24
Total other retail	139	150
Total nonperforming loans ⁽¹⁾	972	834
Other Real Estate^(c)	23	22
Other Assets	21	22
Total nonperforming assets	\$ 1,016	\$ 878
Accruing loans 90 days or more past due ^(b)	\$ 491	\$ 472
Period-end loans ⁽²⁾	\$388,213	\$312,028
Nonperforming loans to total loans ^{(1)/(2)}	.25%	.27%
Nonperforming assets to total loans plus other real estate ^(c)	.26%	.28%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Residential Mortgages, Credit Card and Other Retail	Total
Balance December 31, 2021	\$ 461	\$ 417	\$ 878
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	327	191	518
Advances on loans	7	2	9
Acquired nonperforming assets	182	148	330
Total additions	516	341	857
Reductions in nonperforming assets			
Paydowns, payoffs	(282)	(78)	(360)
Net sales	(8)	(23)	(31)
Return to performing status	(65)	(143)	(208)
Charge-offs ^(d)	(113)	(7)	(120)
Total reductions	(468)	(251)	(719)
Net additions to (reductions in) nonperforming assets	48	90	138
Balance December 31, 2022	\$ 509	\$ 507	\$ 1,016

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

(b) Excludes \$2.2 billion and \$1.5 billion at December 31, 2022 and 2021, respectively, of loans purchased and loans that could be purchased from GNMA mortgage pools under delinquent loan repurchase options 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 \$53 million and \$22 million at December 31, 2022 and 2021, 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.

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

Year Ended December 31 (Dollars in Millions)	2022			2021			2020		
	Average Loan Balance	Net Charge-offs	Percent	Average Loan Balance	Net Charge-offs	Percent	Average Loan Balance	Net Charge-offs	Percent
Commercial									
Commercial	\$118,967	\$ 211	.18%	\$ 97,649	\$ 97	.10%	\$108,367	\$ 483	.45%
Lease financing	4,830	16	.33	5,206	6	.12	5,600	30	.54
Total commercial	123,797	227	.18	102,855	103	.10	113,967	513	.45
Commercial real estate									
Commercial mortgages	30,890	17	.06	27,997	(14)	(.05)	29,641	185	.62
Construction	10,208	20	.20	10,784	16	.15	10,907	2	.02
Total commercial real estate	41,098	37	.09	38,781	2	.01	40,548	187	.46
Residential mortgages	84,749	(23)	(.03)	74,629	(32)	(.04)	73,667	(12)	(.02)
Credit card	23,478	524	2.23	21,645	512	2.37	22,332	829	3.71
Other retail									
Retail leasing	6,459	3	.05	7,710	2	.03	8,405	81	.96
Home equity and second mortgages	11,051	(7)	(.06)	11,228	(10)	(.09)	13,894	(4)	(.03)
Other	42,941	302	.70	40,117	105	.26	34,456	192	.56
Total other retail	60,451	298	.49	59,055	97	.16	56,755	269	.47
Total loans	\$333,573	\$1,063	.32%	\$296,965	\$682	.23%	\$307,269	\$1,786	.58%

Analysis of Loan Net Charge-offs Total loan net charge-offs were \$1.1 billion in 2022, compared with \$682 million in 2021. The \$381 million (55.9 percent) increase in total net charge-offs in 2022, compared with 2021, reflected \$179 million of uncollectible MUB acquired loans, of which the majority of this balance related to loans that were previously charged-off by MUB, as well as \$189 million of net charge-offs related to balance sheet repositioning and capital management actions taken during the fourth quarter of 2022 in connection with the acquisition. These increases in net charge-offs were partially offset by lower credit card net charge-offs in the legacy portfolio. The ratio of total loan net charge-offs to average loans outstanding, including the impacts of the acquisition, was 0.32 percent in 2022, compared with 0.23 percent in 2021.

Commercial and commercial real estate loan net charge-offs for 2022 were \$264 million (0.16 percent of average loans outstanding), compared with \$105 million (0.07 percent of average loans outstanding) in 2021. The increase in net charge-offs in 2022, compared with 2021, were driven primarily by MUB purchase accounting related net charge-offs of \$143 million.

Residential mortgage loan net charge-offs for 2022 reflected a net recovery of \$23 million (0.03 percent of average loans outstanding), compared with a net recovery of \$32 million (0.04 percent of average loans outstanding) in 2021. Credit card loan net charge-offs in 2022 were \$524 million (2.23 percent of average loans outstanding), compared with \$512 million (2.37 percent of average loans outstanding) in 2021. Other retail loan net charge-offs for 2022 were \$298 million (0.49 percent of average loans outstanding), compared with \$97 million (0.16 percent of average loans outstanding) in 2021. The increase in total residential mortgage, credit card and other retail loan net charge-offs in 2022, compared with 2021, was driven by charge-offs related to the balance sheet repositioning and capital management actions taken in the fourth quarter of 2022, along

with MUB purchase accounting related net charge-offs, partially offset by lower net charge-offs in the legacy portfolio.

Analysis and Determination of the Allowance for Credit Losses

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 includes increasing consideration of historical loss experience over 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 from better to 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 consideration of economic forecast uncertainty. 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, inflation, interest rates, and corporate bond spreads, 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. For smaller commercial loans collectively evaluated for impairment, historical loss experience is also incorporated into the allowance methodology applied to this category of loans.

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, 2022, the Company serviced the first lien on 33 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 \$195 million or 1.5 percent of its total home equity portfolio at December 31, 2022, represented non-delinquent junior liens where the first lien was delinquent or modified.

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 PCD. An allowance is established for each population and considers product mix, risk characteristics of the portfolio and delinquency status and refreshed LTV ratios when possible. PCD loans also consider whether the loan has experienced a charge-off, bankruptcy or significant deterioration since origination. 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 had a total unpaid principal balance of \$5.1 billion of PCD loans, primarily related to the MUB acquisition, included in its loan portfolio at December 31, 2022.

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, 2022, the allowance for credit losses was \$7.4 billion, compared with an allowance of \$6.2 billion at December 31, 2021. The increase in the allowance for credit losses of \$1.2 billion (20.3 percent) at December 31, 2022, compared with December 31, 2021, included \$336 million of initial allowance recorded through purchase accounting as well as the provision for credit losses of \$662 million related to acquired loans from MUB, along with loan growth in the legacy portfolio and increased economic uncertainty.

The ratio of the allowance for credit losses to period-end loans was 1.91 percent at December 31, 2022, compared with 1.97 percent at December 31, 2021. The ratio of the allowance for credit losses to nonperforming loans was 762 percent at December 31, 2022, compared with 738 percent at

December 31, 2021. The ratio of the allowance for credit losses to annual loan net charge-offs at December 31, 2022, was 697 percent, compared with 902 percent at December 31, 2021. Management determined the allowance for credit losses was appropriate on December 31, 2022 and 2021.

Economic conditions considered in estimating the allowance for credit losses at December 31, 2022 included changes in projected gross domestic product and unemployment levels. These factors are evaluated through a combination of quantitative calculations using multiple economic scenarios and additional qualitative assessments that consider the high degree of economic uncertainty in the current environment. The projected unemployment rates for 2023 considered in the estimate range from 3.5 percent to 8.4 percent.

The following table summarizes the baseline forecast for key economic variables the Company used in its estimate of the allowance for credit losses at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
United States unemployment rate for the three months ending ^(a)		
December 31, 2022	3.7%	3.5%
June 30, 2023	4.0	3.5
December 31, 2023	4.2	3.5
United States real gross domestic product for the three months ending ^(b)		
December 31, 2022 .....	.4%	3.4%
June 30, 2023	1.1	2.9
December 31, 2023	1.0	2.9

(a) Reflects quarterly average of forecasted reported United States unemployment rate.

(b) Reflects year-over-year growth rates.

The allowance for credit losses related to commercial lending segment loans increased \$516 million during the year ended December 31, 2022, reflecting the impact of the MUB acquisition, along with the impacts of loan growth and increasing economic uncertainty.

The allowance for credit losses related to consumer lending segment loans increased \$733 million during the year ended

December 31, 2022, due to the impacts of the MUB acquisition, loan growth and economic uncertainty, along with the effects of higher interest rates on the life of the residential mortgage portfolios and normalizing credit trends in the unsecured portfolios.

TABLE 18 Summary of Allowance for Credit Losses

(Dollars in Millions)	2022	2021	2020
Balance at beginning of year	\$ 6,155	\$ 8,010	\$ 4,491
Allowance for acquired credit losses ^(a)	336	—	—
Change in accounting principle ^(b)	—	—	1,499
Charge-Offs			
Commercial			
Commercial	294	206	536
Lease financing	25	16	39
Total commercial	319	222	575
Commercial real estate			
Commercial mortgages	28	9	202
Construction and development	26	20	8
Total commercial real estate	54	29	210
Residential mortgages	13	18	19
Credit card	696	686	975
Other retail			
Retail leasing	18	26	101
Home equity and second mortgages	9	12	16
Other	391	215	284
Total other retail	418	253	401
Total charge-offs	1,500	1,208	2,180
Recoveries			
Commercial			
Commercial	83	109	53
Lease financing	9	10	9
Total commercial	92	119	62
Commercial real estate			
Commercial mortgages	11	23	17
Construction and development	6	4	6
Total commercial real estate	17	27	23
Residential mortgages	36	50	31
Credit card	172	174	146
Other retail			
Retail leasing	15	24	20
Home equity and second mortgages	16	22	20
Other	89	110	92
Total other retail	120	156	132
Total recoveries	437	526	394
Net Charge-Offs			
Commercial			
Commercial	211	97	483
Lease financing	16	6	30
Total commercial	227	103	513
Commercial real estate			
Commercial mortgages	17	(14)	185
Construction and development	20	16	2
Total commercial real estate	37	2	187
Residential mortgages	(23)	(32)	(12)
Credit card	524	512	829
Other retail			
Retail leasing	3	2	81
Home equity and second mortgages	(7)	(10)	(4)
Other	302	105	192
Total other retail	298	97	269
Total net charge-offs	1,063 ^(c)	682	1,786
Provision for credit losses	1,977 ^(d)	(1,173)	3,806
Other changes	(1)	—	—
Balance at end of year	\$ 7,404	\$ 6,155	\$ 8,010
Components			
Allowance for loan losses	\$ 6,936	\$ 5,724	\$ 7,314
Liability for unfunded credit commitments	468	431	696
Total allowance for credit losses ⁽¹⁾	\$ 7,404	\$ 6,155	\$ 8,010
Period-end loans ⁽²⁾	\$388,213	\$312,028	\$297,707
Nonperforming loans ⁽³⁾	972	834	1,224
Allowance for Credit Losses as a Percentage of			
Period-end loans ^{(1)/(2)}	1.91%	1.97%	2.69%
Nonperforming loans ^{(1)/(3)}	762	738	654
Nonperforming and accruing loans 90 days or more past due	506	471	471
Nonperforming assets	729	701	617
Net charge-offs	697	902	448

(a) Allowance for purchased credit deteriorated and charged-off loans acquired from MUB.

(b) 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.

(c) Includes \$179 million of net charge-offs related to uncollectible MUB acquired loans, of which the majority of this balance related to loans that were previously charged-off by MUB, as well as \$189 million of net charge-offs related to balance sheet repositioning and capital management actions taken during the fourth quarter of 2022 in connection with the acquisition.

(d) Includes provision for credit losses of \$662 million related to the acquisition of MUB and a \$129 million provision impact of balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 related to the acquisition.

TABLE 19 Allocation of the Allowance for Credit Losses

At December 31 (Dollars in Millions)	Allowance Amount		Allowance as a Percent of Loans	
	2022	2021	2022	2021
Commercial				
Commercial	\$2,087	\$1,779	1.59%	1.66%
Lease financing	76	70	1.67	1.37
Total commercial	2,163	1,849	1.59	1.65
Commercial Real Estate				
Commercial mortgages	878	699	2.01	2.43
Construction and development	447	424	3.81	4.12
Total commercial real estate	1,325	1,123	2.39	2.88
Residential Mortgages	926	565	.80	.74
Credit Card	2,020	1,673	7.68	7.44
Other Retail				
Retail leasing	127	136	2.30	1.87
Home equity and second mortgages	298	231	2.32	2.21
Other	545	578	1.49	1.31
Total other retail	970	945	1.77	1.53
Total allowance	\$7,404	\$6,155	1.91%	1.97%

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 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 \$4.4 billion of retail leasing residuals at December 31, 2022, compared with \$5.6 billion at December 31, 2021. The Company monitors concentrations of leases by manufacturer and vehicle type. As of December 31, 2022, vehicle lease residuals related to sport utility vehicles were 49.9 percent of the portfolio, while truck and crossover utility vehicle classes represented approximately 29.2 percent and 14.7 percent of the portfolio, respectively. At year-end 2022, the individual vehicle model with the largest residual value outstanding represented 19.8 percent of the aggregate residual value of all vehicles in the portfolio. At December 31, 2022, the weighted-average origination term of the portfolio was 42 months, compared with 41 months at December 31, 2021. At December 31, 2022, the commercial leasing portfolio had \$500 million of residuals, compared with \$515 million at December 31, 2021. At year-end 2022, lease residuals related to trucks and other transportation equipment represented 36.1 percent of the total residual portfolio, while business and office equipment represented 29.3 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 economic and financial disruptions. 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 economic and financial disruptions. Refer to “Supervision and Regulation” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, 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 overseeing 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. Net interest income sensitivities reflect the impact of current market expectations for interest rates, driving an increase in baseline projected net interest income. As market expectations are reflected in projected results, incremental interest rate sensitivity declines on a percentage basis.

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 floating-rate loans and 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.

TABLE 20 Sensitivity of Net Interest Income

	December 31, 2022 ^(a)				December 31, 2021			
	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	(.58)%	.95%	(2.02)%	1.44%	(3.77)%	3.09%	*	5.39%

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

(a) December 31, 2022 amounts include MUB.

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. Refer to Note 10 of the Notes to Consolidated Financial Statements for additional information regarding MSRs, including management of the changes in fair value.

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. The forward commitments to sell and the unfunded mortgage loan commitments on loans intended to be sold are considered derivatives under the accounting guidance related to accounting for derivative instruments and hedging activities. The Company has elected the fair value option for the MLHFS.

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

For additional information on derivatives and hedging activities, refer to Notes 20 and 21 in the Notes to Consolidated Financial Statements.

LIBOR Transition In July 2017, the United Kingdom’s Financial Conduct Authority (the “FCA”) announced that it would no longer require banks to submit rates for the London InterBank Offered Rate (“LIBOR”) after 2021. In March 2021, the FCA and the administrator of LIBOR announced that, with respect to the most commonly used tenors of United States Dollar LIBOR, LIBOR will no longer be published on a representative basis after June 30, 2023. The publication of all other tenors of United States Dollar LIBOR, as well as all non-United States Dollar LIBOR tenors, ceased to be provided or ceased to be representative after December 31, 2021. The Company holds financial instruments 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 capacities as trustee, servicer, and asset manager, which involve financial instruments that will be similarly impacted by the discontinuance of LIBOR.

In order to facilitate the transition process, the Company has instituted a LIBOR Transition Office and commenced an enterprise-wide project to (1) identify, assess, monitor and mitigate risks associated with the expected discontinuance or unavailability of LIBOR, (2) actively engage with industry working groups and regulators, (3) develop and implement training and education materials with respect to LIBOR and its discontinuance for the Company and for customers, (4) achieve operational readiness for the use of alternative reference rates (“ARRs”) in new financial instruments and transition existing LIBOR financial instruments to ARRs, (5) develop and implement customer notification programs across the Company and engage impacted customers to remediate and transition impacted instruments, and (6) develop reporting on remediation of LIBOR instruments across the Company for both internal and external stakeholders. The Company has also invested in updating its systems, models, procedures and internal infrastructure as part of the transition program.

The Company transitioned its financial instruments associated to LIBOR currencies and tenors that ceased or became nonrepresentative on December 31, 2021, to ARRs, with limited exceptions. Additionally, in alignment with guidance from United States banking agencies and the FCA, the Company has ceased the use of LIBOR as a reference rate in new contracts, with limited exceptions, and continues to increase the usage of ARRs such as the Secured Overnight Financing Rate (“SOFR”). The Company also anticipates that additional financial instruments associated with the remaining United States Dollar LIBOR tenors will require transition to a new reference rate by June 30, 2023. The Company has been undergoing an enterprise-wide effort to proactively reprice LIBOR loans and derivatives that mature after June 30, 2023, with customers to an ARR. The Company has also adopted industry best practice guidelines for fallback language for new transactions, converted its cleared interest rate swaps discounting to SOFR discounting, and distributed communications related to the transition to certain impacted parties, both inside and outside the Company.

The Company’s MUB acquisition impacts the execution of the Company’s LIBOR transition strategies and execution plans. The Company is currently assessing MUB’s LIBOR transition program, remediation strategies, and preparedness to execute on remediation strategies. In certain instances, the Company and MUB have different remediation strategies. As a result, the Company is updating its LIBOR transition plans to ensure that the Company can execute remediation plans across all products and business units, including with respect to MUB.

The Company is currently assessing the applicability and scope of the Adjustable Interest Rate (LIBOR) Act (the “LIBOR Act”), which was enacted on March 15, 2022, and the Regulations Implementing the Adjustable Interest Rate (LIBOR) Act (Regulation ZZ) (the “Final Rules”), which were implemented

on December 16, 2022. The LIBOR Act and Final Rules establish a process for replacing LIBOR in existing LIBOR contracts that do not provide for the use of a clearly defined or practicable replacement benchmark rate by providing that a benchmark replacement identified by the Federal Reserve Board that is based on SOFR will replace LIBOR as the benchmark for those contracts as a matter of law, without the need to be amended by the parties. The Company is currently assessing its outstanding LIBOR portfolio to determine the eligibility of certain financial instruments for the LIBOR Act and will incorporate the LIBOR Act as a remediation strategy where prudent. Refer to "Risk Factors" beginning on page 140, 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. VaR

amounts reflect MUB beginning December 1, 2022, the day the acquisition transaction closed.

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)	2022	2021
Average	\$2	\$2
High	7	4
Low	1	1
Period-end	5	2

The Company did not experience any actual losses for its combined Covered Positions that exceeded VaR during the years ended December 31, 2022 and 2021. 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)	2022	2021
Average	\$10	\$7
High	19	9
Low	6	5
Period-end	13	7

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)	2022	2021
Residential Mortgage Loans Held For Sale and Related Hedges		
Average	\$ 2	\$ 9
High	5	19
Low	—	4
Mortgage Servicing Rights and Related Hedges		
Average	\$ 8	\$ 4
High	20	11
Low	3	1

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 the 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, 2022, the fair value of unencumbered investment securities totaled \$135.5 billion, compared with \$144.0 billion at December 31, 2021. Refer to Note 5 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, 2022, the Company could have borrowed a total of an additional \$114.8 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 \$525.0 billion at December 31, 2022, compared with \$456.1 billion at December 31, 2021. Refer to Note 12 of the Notes to Consolidated Financial Statements and "Balance Sheet Analysis" for further information on the maturities, terms and trends of the Company's deposits.

Additional funding is provided by long-term debt and short-term borrowings. Long-term debt was \$39.8 billion at December 31, 2022, and is an important funding source because of its multi-year borrowing structure. Refer to Note 14 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 \$31.2 billion at December 31, 2022, and supplement the Company's other funding sources. Refer to Note 13 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 Credit Ratings

	Moody's	S&P Global Ratings	Fitch Ratings	DBRS Morningstar
U.S. Bancorp				
Long-term issuer rating	A2	A+	AA-	AA
Short-term issuer rating		A-1	F1+	R-1 (middle)
Senior unsecured debt	A2	A+	A+	AA
Subordinated debt	A2	A	A	AA (low)
Junior subordinated debt	A3			
Preferred stock	Baa1	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	Aa2		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	Aa3(cr)/P-1(cr)			
Counterparty risk rating	A1/P-1			
Baseline credit assessment	a1			

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. During 2022, the Company used approximately \$5.5 billion of parent company cash to acquire MUB. 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 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, 2022, parent company long-term debt outstanding was \$27.0 billion, compared with \$18.9 billion at December 31, 2021. The increase was primarily due to \$6.9 billion of medium-term note and \$1.3 billion of subordinated note issuances, along with an increase related to the \$3.5 billion of additional capital received as part of the MUB acquisition. These increases were partially offset by \$1.3 billion of subordinated note and \$1.0 billion of medium-term note repayments. As of December 31, 2022, there was no parent company debt scheduled to mature in 2023. 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 banks are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends to the parent company from its banking subsidiaries are limited by rules which compare dividends to net income for regulatorily-defined periods. For further information, see Note 25 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, 2022, the Company was compliant with this requirement.

The Company is also subject to a regulatory Net Stable Funding Ratio ("NSFR") requirement which requires banks to maintain a minimum level of stable funding based on the liquidity

characteristics of their assets, commitments, and derivative exposures over a one-year time horizon. At December 31, 2022, 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 2022. Operating cash for these businesses is deposited on a short-term basis typically with certain European central banks. For deposits placed at other European banks, exposure is mitigated by the Company placing deposits at multiple banks and managing the amounts on deposit at any bank based on institution-specific deposit limits. At December 31, 2022, the Company had an aggregate amount on deposit with European banks of approximately \$7.7 billion, predominately with the Central Bank of Ireland and Bank of England.

In addition, the Company provides financing to domestic multinational corporations that generate revenue from customers in European countries, transacts with various European banks as counterparties to certain derivative-related activities, and through a subsidiary, manages money market funds that hold certain investments in European sovereign debt. Any deterioration in economic conditions in Europe, including the impacts resulting from the Russia-Ukraine conflict, is not expected to have a significant effect on the Company related to these activities.

Commitments, Contingent Liabilities and Other Contractual Obligations The Company participates in many different contractual arrangements which may or may not be recorded on its balance sheet, with unrelated or consolidated entities, under which the Company has an obligation to pay certain amounts, provide credit or liquidity enhancements or provide market risk support. These 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.

In the ordinary course of business, the Company enters into contractual obligations that may require future cash payments, including funding for customer loan requests, customer deposit maturities and withdrawals, debt service, leases for premises and equipment, and other cash commitments. Refer to Notes 7, 12, 14, 17 and 23 in the Notes to Consolidated Financial Statements for information on the Company's operating lease obligations, deposits, long-term debt, benefit obligations and guarantees and other commitments, respectively.

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, 2022 were

\$387.4 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, 2022 were \$11.4 billion. For more information on the Company's commitments to extend credit and letters of credit, refer to Note 23 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 investment in these entities, net of contractual equity investment commitments of \$2.4 billion, was \$3.0 billion at December 31, 2022.

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 \$177 million at December 31, 2022, and the Company had unfunded commitments to invest an additional \$133 million. For more information on the Company's interests in unconsolidated VIEs, refer to Note 8 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 23 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 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 announced on December 22, 2020 that its Board of Directors had approved an authorization to repurchase \$3.0 billion of its common stock beginning January 1, 2021, and repurchased \$1.5 billion of its common stock during the first six months of 2021 under this program. The Company suspended all common stock repurchases at the beginning of the third quarter of 2021, except for those done exclusively in connection with its stock-based compensation programs, due to its acquisition of MUB. The Company does not expect to commence repurchasing its common stock until after its common equity tier 1 capital ratio approximates 9.0 percent at which time the Company will assess its capital position relative to existing and proposed regulatory capital requirements.

The Company announced on September 13, 2022 that its Board of Directors had approved a regular quarterly dividend of \$0.48 per common share. This represented a 4.3 percent increase over the previous dividend rate per common share of \$0.46 per quarter.

The Company will continue to monitor its capital position and may adjust its capital distributions based on economic conditions, existing and proposed regulatory capital requirements and its financial performance. Capital distributions, including dividends and stock repurchases, are subject to the approval of the Company's Board of Directors and compliance with regulatory requirements. For a more complete analysis of activities impacting shareholders' equity and capital management programs, refer to Note 15 of the Notes to Consolidated Financial Statements.

Total U.S. Bancorp shareholders' equity was \$50.8 billion at December 31, 2022, compared with \$54.9 billion at December 31, 2021. The decrease was primarily the result of changes in unrealized gains and losses on available-for-sale investment securities included in other comprehensive income (loss) and dividends paid, partially offset by corporate earnings, the issuance of additional common shares related to the acquisition of MUB and the issuance of preferred stock.

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, 2022, 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, 2022, 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. Beginning in 2022, the Company began to phase into its regulatory capital requirements the cumulative deferred impact of its 2020 adoption of the accounting guidance related to the impairment of financial instruments based on the current expected credit losses ("CECL") methodology plus 25 percent of its quarterly credit reserve increases over the past two years. This cumulative deferred impact will be phased into the Company's regulatory capital over the next three years, culminating with a fully phased in regulatory capital calculation beginning in 2025. As of December 31, 2022, the Company's bank subsidiaries met all regulatory capital ratios to be considered "well-capitalized". There are no conditions or events since December 31, 2022 that management believes have changed the risk-based category of its covered subsidiary banks.

As an approved mortgage seller and servicer, the Company's banking subsidiaries, through their mortgage banking divisions, are required to maintain various levels of shareholder's equity, as specified by various agencies, including the United States Department of Housing and Urban Development, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. At December 31, 2022, the Company's banking subsidiaries met these requirements.

TABLE 22 Regulatory Capital Ratios

At December 31 (Dollars in Millions)	2022	2021
Basel III standardized approach:		
Common shareholders' equity	\$ 43,958	\$ 48,547
Less intangible assets		
Goodwill (net of deferred tax liability)	(11,395)	(9,323)
Other disallowed intangible assets (net of deferred tax liability)	(2,792)	(785)
Other ^(a)	11,789	3,262
Common equity tier 1 capital	41,560	41,701
Qualifying preferred stock	6,808	6,371
Noncontrolling interests eligible for tier 1 capital	450	450
Other ^(b)	(5)	(6)
Tier 1 capital	48,813	48,516
Eligible portion of allowance for credit losses	5,682	4,081
Subordinated debt and noncontrolling interests eligible for tier 2 capital	4,520	3,653
Tier 2 capital	10,202	7,734
Total risk-based capital	\$ 59,015	\$ 56,250
Risk-weighted assets	\$496,500	\$418,571
Common equity tier 1 capital as a percent of risk-weighted assets	8.4%	10.0%
Tier 1 capital as a percent of risk-weighted assets	9.8	11.6
Total risk-based capital as a percent of risk-weighted assets	11.9	13.4
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	7.9	8.6
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	6.4	6.9

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

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

Table 22 provides a summary of statutory regulatory capital ratios in effect for the Company at December 31, 2022 and 2021. All regulatory ratios exceeded regulatory “well-capitalized” requirements.

The Company believes certain other capital ratios are useful in evaluating its capital adequacy. The Company’s tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets determined in accordance with transitional regulatory capital requirements related to the CECL methodology under the standardized approach, was 4.5 percent and 6.0 percent, respectively, at December 31, 2022, compared with 6.8 percent and 9.2 percent at December 31, 2021, respectively. In addition, the Company’s common equity tier 1 capital to risk-weighted assets ratio, reflecting the full implementation of the CECL methodology was 8.1 percent at December 31, 2022, compared with 9.6 percent at December 31, 2021. Refer to “Non-GAAP Financial Measures” beginning on page 59 for further information on these other capital ratios.

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 24 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 2022, certain organization and methodology changes were made and, accordingly, 2021 results were restated and presented on a comparable basis. Effective with the close of the MUB acquisition, MUB related business activities were integrated into the applicable line of business results.

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 \$1.8 billion of the Company’s net income in 2022, or an increase of \$277 million (17.7 percent), compared with 2021.

Net revenue increased \$584 million (15.0 percent) in 2022, compared with 2021. Net interest income, on a taxable-

equivalent basis, increased \$615 million (21.6 percent) in 2022, compared with 2021, primarily due to higher loan and interest-bearing deposit balances, including those balances related to MUB, and the impact of higher rates on the margin benefit from deposits, partially offset by lower spreads on loans and lower noninterest-bearing deposits. Noninterest income decreased \$31 million (3.0 percent) in 2022, compared with 2021, primarily due to lower commercial products revenue due to lower capital markets revenue, partially offset by higher trading revenue.

Noninterest expense increased \$131 million (7.5 percent) in 2022, compared with 2021, primarily due to higher FDIC insurance expense, higher net shared services expense driven by investment in support of business growth and the impacts of the MUB acquisition, as well as higher compensation and employee benefits expense primarily due to merit increases and hiring to support business growth, partially offset by lower performance-based incentives related to capital markets activity. The provision for credit losses increased \$84 million in 2022, compared with 2021, primarily due to loan loss provisions supporting growth in loan balances.

Consumer and Business Banking Consumer and Business Banking comprises consumer banking, small business banking and consumer lending. Products and services are delivered through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing, mobile devices, distributed mortgage loan officers, and intermediary relationships including auto dealerships, mortgage banks, and strategic business partners. Consumer and Business Banking contributed \$1.8 billion of the Company's net income in 2022, or a decrease of \$551 million (23.4 percent), compared with 2021.

Net revenue decreased \$121 million (1.4 percent) in 2022, compared with 2021. Noninterest income decreased \$940 million (37.7 percent) in 2022, compared with 2021, primarily due to lower mortgage banking revenue reflecting lower application volume, lower related gain on sale margins and lower performing loan sales, partially offset by an increase in the fair value of MSRs, net of hedging activities. Net interest income, on a taxable-equivalent basis, increased \$819 million (13.5 percent) in 2022, compared with 2021, reflecting the favorable impact of higher rates on the margin benefit of deposits, partially offset by lower spreads on loans and lower loan fees.

Noninterest expense increased \$249 million (4.5 percent) in 2022, compared with 2021, primarily due to increases in net shared services expense due to investments in digital capabilities and the impact of the MUB acquisition, as well as lower capitalized loan costs driven by lower mortgage production, partially offset by lower compensation and employee benefits expense and related loan expenses due to lower mortgage production. The provision for credit losses increased \$364 million in 2022, compared with 2021, due to the impacts of balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 in connection with the acquisition, along with loan balance growth and more favorable credit trends in 2021.

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 \$1.3 billion of the Company's net income in 2022, or an increase of \$471 million (55.9 percent), compared with 2021.

Net revenue increased \$953 million (29.6 percent) in 2022, compared with 2021. Net interest income, on a taxable-equivalent basis, increased \$622 million (62.1 percent) in 2022, compared with 2021, primarily due to the favorable impact of higher rates on the margin benefit from deposits. Noninterest income increased \$331 million (14.9 percent) in 2022, compared with 2021, primarily driven by higher trust and investment management fees reflecting lower money market fund fee waivers, the impact of the PFM acquisition and core business growth, partially offset by the impact of unfavorable market conditions.

Noninterest expense increased \$323 million (15.4 percent) in 2022, compared with 2021, reflecting higher compensation and employee benefits expense as a result of merit increases, the PFM acquisition, core business growth and performance-based incentives, as well as higher net shared services expense driven by investment in support of business growth and the impact of the MUB acquisition.

Payment Services Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services and merchant processing. Payment Services contributed \$1.3 billion of the Company's net income in 2022, or a decrease of \$380 million (22.3 percent), compared with 2021.

Net revenue increased \$290 million (4.8 percent) in 2022, compared with 2021. Net interest income, on a taxable-equivalent basis, increased \$41 million (1.7 percent) in 2022, compared with 2021, primarily due to higher loan balances, higher loan fees and higher loan yields driven by higher interest rates, partially offset by higher funding costs. Noninterest income increased \$249 million (7.0 percent) in 2022, compared with 2021, mainly due to continued strengthening of consumer and business spending across most sectors. As a result, there was strong growth in corporate payment products revenue driven by improving business spending across all product groups. In addition, merchant processing services revenue increased due to higher sales volume and higher merchant fees, partially offset by the impact of foreign currency rate changes in Europe.

Noninterest expense increased \$165 million (4.9 percent) in 2022, compared with 2021, reflecting higher net shared services expense driven by investment in infrastructure and technology development, in addition to higher compensation and employee benefits expense as a result of merit increases and core business growth. The provision for credit losses increased \$631 million in 2022, compared with 2021, primarily due to the impacts of increasing delinquency rates, along with stronger growth in loan balances.

TABLE 23 Line of Business Financial Performance

Year Ended December 31 (Dollars in Millions)	Corporate and Commercial Banking			Consumer and Business Banking			Wealth Management and Investment Services		
	2022	2021	Percent Change	2022	2021	Percent Change	2022	2021	Percent Change
Condensed Income Statement									
Net interest income (taxable-equivalent basis)	\$ 3,468	\$ 2,853	21.6%	\$ 6,904	\$ 6,085	13.5%	\$ 1,624	\$ 1,002	62.1%
Noninterest income	1,008	1,039	(3.0)	1,556	2,496	(37.7)	2,553	2,222	14.9
Total net revenue	4,476	3,892	15.0	8,460	8,581	(1.4)	4,177	3,224	29.6
Noninterest expense	1,872	1,741	7.5	5,824	5,575	4.5	2,417	2,094	15.4
Income (loss) before provision and income taxes	2,604	2,151	21.1	2,636	3,006	(12.3)	1,760	1,130	55.8
Provision for credit losses	149	65	*	228	(136)	*	9	7	28.6
Income (loss) before income taxes	2,455	2,086	17.7	2,408	3,142	(23.4)	1,751	1,123	55.9
Income taxes and taxable-equivalent adjustment	614	522	17.6	602	785	(23.3)	438	281	55.9
Net income (loss)	1,841	1,564	17.7	1,806	2,357	(23.4)	1,313	842	55.9
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—	—	—	—
Net income (loss) attributable to U.S. Bancorp	\$ 1,841	\$ 1,564	17.7	\$ 1,806	\$ 2,357	(23.4)	\$ 1,313	\$ 842	55.9
Average Balance Sheet									
Loans	\$127,916	\$103,404	23.7	\$145,079	\$140,890	3.0	\$22,410	\$ 18,095	23.8
Goodwill	1,915	1,715	11.7	3,249	3,429	(5.2)	1,720	1,628	5.7
Other intangible assets	57	5	*	3,785	2,761	37.1	308	84	*
Assets	143,370	115,423	24.2	160,713	161,385	(.4)	26,036	21,303	22.2
Noninterest-bearing deposits	57,451	61,991	(7.3)	32,256	33,063	(2.4)	24,721	24,663	.2
Interest-bearing deposits	97,169	71,711	35.5	167,938	157,592	6.6	73,461	76,000	(3.3)
Total deposits	154,620	133,702	15.6	200,194	190,655	5.0	98,182	100,663	(2.5)
Total U.S. Bancorp shareholders' equity	14,403	13,906	3.6	12,550	12,319	1.9	3,675	3,154	16.5

Year Ended December 31 (Dollars in Millions)	Payment Services			Treasury and Corporate Support			Consolidated Company		
	2022	2021	Percent Change	2022	2021	Percent Change	2022	2021	Percent Change
Condensed Income Statement									
Net interest income (taxable-equivalent basis)	\$ 2,498	\$ 2,457	1.7%	\$ 352	\$ 203	73.4%	\$ 14,846	\$ 12,600	17.8%
Noninterest income	3,799	3,550	7.0	540	920	(41.3)	9,456	10,227	(7.5)
Total net revenue	6,297	6,007	4.8	892	1,123	(20.6)	24,302	22,827	6.5
Noninterest expense	3,551	3,386	4.9	1,242	932	33.3	14,906	13,728	8.6
Income (loss) before provision and income taxes	2,746	2,621	4.8	(350)	191	*	9,396	9,099	3.3
Provision for credit losses	980	349	*	611	(1,458)	*	1,977	(1,173)	*
Income (loss) before income taxes	1,766	2,272	(22.3)	(961)	1,649	*	7,419	10,272	(27.8)
Income taxes and taxable-equivalent adjustment	442	568	(22.2)	(515)	131	*	1,581	2,287	(30.9)
Net income (loss)	1,324	1,704	(22.3)	(446)	1,518	*	5,838	7,985	(26.9)
Net (income) loss attributable to noncontrolling interests	—	—	—	(13)	(22)	40.9	(13)	(22)	40.9
Net income (loss) attributable to U.S. Bancorp	\$ 1,324	\$ 1,704	(22.3)	\$ (459)	\$ 1,496	*	\$ 5,825	\$ 7,963	(26.8)
Average Balance Sheet									
Loans	\$34,627	\$30,856	12.2	\$ 3,541	\$ 3,720	(4.8)	\$333,573	\$296,965	12.3
Goodwill	3,305	3,184	3.8	—	—	—	10,189	9,956	2.3
Other intangible assets	423	507	(16.6)	4	—	*	4,577	3,357	36.3
Assets	41,109	36,549	12.5	220,921	221,872	(.4)	592,149	556,532	6.4
Noninterest-bearing deposits	3,410	4,861	(29.8)	2,556	2,626	(2.7)	120,394	127,204	(5.4)
Interest-bearing deposits	162	145	11.7	3,260	1,629	*	341,990	307,077	11.4
Total deposits	3,572	5,006	(28.6)	5,816	4,255	36.7	462,384	434,281	6.5
Total U.S. Bancorp shareholders' equity	8,235	7,642	7.8	11,553	16,789	(31.2)	50,416	53,810	(6.3)

* Not meaningful

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 \$459 million in 2022, compared with net income of \$1.5 billion in 2021.

Net revenue decreased \$231 million (20.6 percent) in 2022, compared with 2021. Noninterest income decreased \$380 million (41.3 percent) in 2022, compared with 2021, primarily due to the impacts of balance sheet repositioning and capital management actions taken in the fourth quarter of 2022 associated with the acquisition of MUB, partially offset by higher tax-advantaged investment syndication revenue. Net interest income, on a taxable-equivalent basis, increased \$149 million (73.4 percent) in 2022, compared with 2021, primarily due to higher yields on the investment securities portfolio and interest-bearing deposits with banks, mostly offset by higher funding costs.

Noninterest expense increased \$310 million (33.3 percent) in 2022, compared with 2021, primarily due to merger and integration charges associated with the acquisition of MUB, other accruals and higher compensation and employee benefits expense reflecting merit increases and hiring to support business growth, partially offset by lower net shared services expense. The provision for credit losses was \$2.1 billion higher in 2022, compared with 2021, primarily due to the initial provision for credit losses recorded in the fourth quarter of 2022 related to the MUB acquisition and additional impacts to the allowance for credit losses related to increasing economic uncertainty in the current year, compared to improving economic conditions in the prior year.

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 tables show the Company's calculation of these non-GAAP financial measures:

At December 31 (Dollars in Millions)	2022	2021
Total equity	\$ 51,232	\$ 55,387
Preferred stock	(6,808)	(6,371)
Noncontrolling interests	(466)	(469)
Goodwill (net of deferred tax liability) ⁽¹⁾	(11,395)	(9,323)
Intangible assets (net of deferred tax liability), other than mortgage servicing rights	(2,792)	(785)
Tangible common equity ^(a)	29,771	38,439
Common equity tier 1 capital, determined in accordance with transitional regulatory capital requirements related to the CECL methodology implementation	41,560	41,701
Adjustments ⁽²⁾	(1,299)	(1,733)
Common equity tier 1 capital, reflecting the full implementation of the CECL methodology ^(b)	40,261	39,968
Total assets	674,805	573,284
Goodwill (net of deferred tax liability) ⁽¹⁾	(11,395)	(9,323)
Intangible assets (net of deferred tax liability), other than mortgage servicing rights	(2,792)	(785)
Tangible assets ^(c)	660,618	563,176
Risk-weighted assets, determined in accordance with prescribed regulatory capital requirements effective for the Company ^(d)	496,500	418,571
Adjustments ⁽³⁾	(620)	(357)
Risk-weighted assets, reflecting the full implementation of the CECL methodology ^(e)	495,880	418,214
Ratios		
Tangible common equity to tangible assets ^{(a)/(c)}	4.5%	6.8%
Tangible common equity to risk-weighted assets ^{(a)/(d)}	6.0	9.2
Common equity tier 1 capital to risk-weighted assets, reflecting the full implementation of the CECL methodology ^{(b)/(e)}	8.1	9.6

	Year Ended December 31		
	2022	2021	2020
Net interest income	\$14,728	\$12,494	\$12,825
Taxable-equivalent adjustment ⁽⁴⁾	118	106	99
Net interest income, on a taxable-equivalent basis	14,846	12,600	12,924
Net interest income, on a taxable-equivalent basis (as calculated above)	14,846	12,600	12,924
Noninterest income	9,456	10,227	10,401
Less: Securities gains (losses), net	20	103	177
Total net revenue, excluding net securities gains (losses) ^(f)	24,282	22,724	23,148
Noninterest expense ^(g)	14,906	13,728	13,369
Efficiency ratio ^{(g)/(f)}	61.4%	60.4%	57.8%

	Year Ended December 31, 2022		
	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	\$ 4,476	18%	19%
Consumer and Business Banking	8,460	35	36
Wealth Management and Investment Services	4,177	17	18
Payment Services	6,297	26	27
Treasury and Corporate Support	892	4	
Consolidated Company	24,302	100%	
Less: Treasury and Corporate Support	892		
Consolidated Company excluding Treasury and Corporate Support	\$ 23,410		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 rate of 21 percent for those assets and liabilities whose income or expense is not included for federal income tax purposes.

(Dollars in Millions)	Year Ended December 31		Percent Change
	2022	2021	
Net interest income	\$14,728	\$12,494	
Taxable-equivalent adjustment ⁽¹⁾	118	106	
Net interest income, on a taxable-equivalent basis	14,846	12,600	
Net interest income, on a taxable-equivalent basis (as calculated above)	14,846	12,600	
Noninterest income	9,456	10,227	
Total net revenue	24,302	22,827	6.5%(a)
Less: MUB net revenue	302	—	
Less: Notable items ⁽²⁾	(399)	—	
Total net revenue, excluding MUB and notable items	24,399	22,827	6.9%(b)
Noninterest expense	14,906	13,728	8.6%(c)
Less: MUB noninterest expense	221	—	
Less: Notable items ⁽³⁾	329	—	
Total noninterest expense, excluding MUB and notable items	14,356	13,728	4.6%(d)
Operating leverage (a) - (c)	(2.1)%		
Operating leverage, excluding MUB and notable items (b) - (d)	2.3%		

(1) 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.

(2) Represents \$399 million of losses primarily related to interest rate economic hedges, entered into after regulatory approval was obtained, to manage the impact of interest rate volatility on capital prior to closing the MUB acquisition.

(3) Represents \$329 million of merger and integration charges.

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, 2022 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, imprecision exists 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.

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 risk ratings or delinquency status within loan and lease portfolios. 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 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 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 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, 2022 include risks that inflationary pressures persist longer than anticipated, which could precipitate a moderate to severe recession that increases credit losses.

Under the range of economic scenarios considered, the allowance for credit losses would have been lower by \$1.4 billion or higher by \$2.1 billion. This range reflects the sensitivity of the allowance for credit losses specifically related to the scenarios and weights considered as of December 31, 2022, 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, MSR 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. Refer to Note 3 of the Notes to Consolidated Financial Statements for additional information on fair value estimates of assets and liabilities assumed in the MUB acquisition.

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 5 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 20 of the Notes to Consolidated Financial Statements provides a summary of the Company's derivative positions.

Refer to Note 22 of the Notes to Consolidated Financial Statements for additional information regarding estimations of fair value.

Mortgage Servicing Rights MSR are capitalized as separate assets when loans are sold and servicing is retained, or may be purchased from others. The Company records MSR at fair value. Because MSR 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 MSR are recorded in earnings during the period in which they occur. Risks inherent in the valuation of MSR 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 10 and 22 of the Notes to Consolidated Financial Statements for additional information on the assumptions used in determining the fair value of MSR and an analysis of the sensitivity to changes in interest rates of the fair value of the MSR 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 19 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, which excluded the operations of MUB as noted in the Report of Management below, 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.

As permitted by Securities and Exchange Commission-issued guidance that an assessment of internal controls over financial reporting of a recently acquired business may be excluded from management's evaluation of disclosure controls and procedures for up to a year from the date of acquisition, the Company has excluded MUB from management's reporting on internal control over financial reporting as of December 31, 2022 as MUB was acquired by the Company during 2022. The Company will continue to evaluate the effectiveness of internal controls over financial reporting as it completes the integration of MUB with the Company and will make changes to its internal control framework, as necessary. The acquisition of MUB contributed \$81.4 billion of assets, or 12 percent of the Company's total assets, at December 31, 2022 and \$281 million of revenue, or 1 percent of the Company's total revenue for the year ended December 31, 2022.

The annual report of the Company's management on internal control over financial reporting is provided on page 65. 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 69.

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, 2022. 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 its assessment and those criteria, which excluded the operations of MUB as noted below, management believes the Company designed and maintained effective internal control over financial reporting as of December 31, 2022.

In conducting the evaluation of the effectiveness of its system of internal control over financial reporting as of December 31, 2022, the Company has excluded the operations of MUB as permitted by the guidance issued by the Office of the Chief Accountant of the Securities and Exchange Commission (not to extend more than one year beyond the date of the acquisition or for more than one annual reporting period). In conducting the evaluation of the effectiveness of its disclosure controls and procedures as of December 31, 2022, the Company has excluded those disclosure controls and procedures of MUB that are subsumed by the system of internal control over financial reporting. The acquisition of MUB was completed on December 1, 2022. As of and for the year ended December 31, 2022, MUB's assets represented approximately 12 percent of the Company's consolidated assets and its revenues represented approximately 1 percent of the Company's consolidated revenues. Refer to Note 3 of the Notes to Consolidated Financial Statements for further discussion of the acquisition and its impact on the Company's consolidated financial statements.

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 66 to 68 and their audit report on internal control over financial reporting appearing on page 69 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 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 27, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Credit Losses

Description of the Matter

The Company's loan and lease portfolio and the associated allowance for credit losses (ACL), were \$388.2 billion and \$7.4 billion as of December 31, 2022, respectively. The provision for credit losses was \$2.0 billion for the year ended December 31, 2022. As discussed in Notes 1 and 6 to the financial statements, the ACL is established for current expected credit losses 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 reperformed 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 and external sources. As to model adjustments, with the support of specialists, we evaluated management's estimate methodology and assessment of factors that could potentially impact the accuracy of expected loss models. We also recalculated 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.

Fair Value of Acquired Loans Recognized as Part of the Acquisition of MUFG Union Bank

*Description of the
Matter*

As described in Note 3 to the consolidated financial statements, the Company acquired MUFG Union Bank (MUB) on December 1, 2022. The transaction has been accounted for as a business combination and accordingly, the assets acquired and liabilities assumed from MUB were recorded at fair value as of the acquisition date.

The fair value of loans acquired from MUB was approximately \$53.0 billion as of December 1, 2022. As disclosed by the Company, the fair value of acquired loans is based on a discounted cash flow methodology that considers credit loss and prepayment expectations, market interest rates and other market factors, such as liquidity.

Auditing the Company's estimate of the fair value of acquired loans was complex due to the significant judgment required by management in developing the credit loss and prepayment expectations, and market interest rates used in the discounted cash flow methodology. This required a high degree of auditor judgment and effort in performing procedures and evaluating audit evidence obtained related to the significant judgments made by management and required the use of professionals with specialized skill and knowledge.

*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 estimating the acquired loans fair value, including management's controls over: 1) developing credit loss and prepayment expectations and establishing market interest rates used in the discounted cash flow methodology, and 2) completeness and accuracy of key inputs and assumptions used in the discounted cash flow methodology, including loan data.

To test the estimated fair value of acquired loans, our audit procedures included, among others, involving valuation specialists to assist us in testing management’s methodology and significant assumptions used in measuring the fair value of the acquired loan portfolio. For example, we involved our specialists to develop, on a sample basis, independent expectations for credit losses, prepayments and market interest rates and compared management’s assumptions to the independently developed ranges based on third party market data. Additionally, we tested, on a sample basis, completeness and accuracy of the underlying loan data provided by management that was used in the discounted cash flow model. Lastly, on a sample basis, we performed independent comparative calculations of the fair value adjustment to the acquired loans. We searched for and evaluated information that corroborates or contradicts management’s selected assumptions, including current external economic information and historical Company-specific information.

Fair Value of Core Deposit Intangible Asset Recognized as Part of the MUB Acquisition

Description of the Matter

As described in Note 3 to the consolidated financial statements, the Company acquired MUB on December 1, 2022. The transaction has been accounted for as a business combination and accordingly, the assets acquired and liabilities assumed from MUB were recorded at fair value as of the acquisition date.

The fair value of the core deposit intangible (CDI) recognized was approximately \$2.7 billion. To estimate the fair value of the CDI, management used a discounted cash flow methodology that considers estimates of deposit costs including cost of funds, net maintenance costs or servicing costs, client retention rates and alternative funding source costs, and a market discount rate.

How We Addressed the Matter in Our Audit

Auditing the Company’s estimate of the CDI fair value was complex due to the significant judgment required by management in developing the estimated net maintenance costs, client retention rates and alternative funding source costs used in the discounted cash flow model. This required a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence obtained related to the significant judgments made by management and required the use of professionals with specialized skill and knowledge.

We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company’s process for estimating the CDI fair value, including management’s controls over: 1) developing net maintenance costs, client retention rates and alternative funding source cost assumptions used in the discounted cash flow model, and 2) completeness and accuracy of key inputs and significant assumptions used in the discounted cash flow model, including deposit data.

To test the estimated fair value of the CDI, our audit procedures included, among others, involving valuation specialists to assist us in testing management’s discounted cash flow methodology and significant assumptions used in measuring the fair value of the CDI. For example, we involved our specialists to develop independent expectations for net maintenance costs, client retention rates and alternative funding source costs, and compared management’s assumptions to our independently developed ranges. Additionally, we tested the completeness and accuracy of the deposit data used in the discounted cash flow model. We searched for and evaluated information that corroborates or contradicts management’s selected significant assumptions, including current external economic and historical Company-specific information.



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

Minneapolis, Minnesota

February 27, 2023

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, 2022, 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, 2022, based on the COSO criteria.

As indicated in the accompanying Report of Management, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of MUFG Union Bank, which is included in the 2022 consolidated financial statements of the Company and constituted 12% of total assets and 1% of revenue, as of and for the year ended December 31, 2022. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of MUFG Union Bank.

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, 2022 and 2021, 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, 2022, and the related notes and our report dated February 27, 2023 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.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Minneapolis, Minnesota
February 27, 2023

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U.S. Bancorp

Consolidated Balance Sheet

At December 31 (Dollars in Millions)

2022

2021

Assets

Cash and due from banks	\$ 53,542	\$ 28,905
Investment securities		
Held-to-maturity (fair value \$77,874 and \$41,812, respectively)	88,740	41,858
Available-for-sale (\$858 and \$557 pledged as collateral, respectively) ^(a)	72,910	132,963
Loans held for sale (including \$1,849 and \$6,623 of mortgage loans carried at fair value, respectively)	2,200	7,775
Loans		
Commercial	135,690	112,023
Commercial real estate	55,487	39,053
Residential mortgages	115,845	76,493
Credit card	26,295	22,500
Other retail	54,896	61,959
Total loans	388,213	312,028
Less allowance for loan losses	(6,936)	(5,724)
Net loans	381,277	306,304
Premises and equipment	3,858	3,305
Goodwill	12,373	10,262
Other intangible assets	7,155	3,738
Other assets (including \$702 and \$1,193 of trading securities at fair value pledged as collateral, respectively) ^(a)	52,750	38,174
Total assets	<u>\$674,805</u>	<u>\$573,284</u>

Liabilities and Shareholders' Equity

Deposits		
Noninterest-bearing	\$137,743	\$134,901
Interest-bearing	387,233	321,182
Total deposits	524,976	456,083
Short-term borrowings	31,216	11,796
Long-term debt	39,829	32,125
Other liabilities	27,552	17,893
Total liabilities	623,573	517,897
Shareholders' equity		
Preferred stock	6,808	6,371
Common stock, par value \$0.01 a share — authorized: 4,000,000,000 shares; issued: 2022 and 2021 — 2,125,725,742 shares	21	21
Capital surplus	8,712	8,539
Retained earnings	71,901	69,201
Less cost of common stock in treasury: 2022 — 594,747,484 shares; 2021 — 642,223,571 shares	(25,269)	(27,271)
Accumulated other comprehensive income (loss)	(11,407)	(1,943)
Total U.S. Bancorp shareholders' equity	50,766	54,918
Noncontrolling interests	466	469
Total equity	51,232	55,387
Total liabilities and equity	<u>\$674,805</u>	<u>\$573,284</u>

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

	2022	2021	2020
Interest Income			
Loans	\$13,603	\$10,747	\$12,018
Loans held for sale	201	232	216
Investment securities	3,378	2,365	2,428
Other interest income	763	143	178
Total interest income	17,945	13,487	14,840
Interest Expense			
Deposits	1,872	320	950
Short-term borrowings	565	70	141
Long-term debt	780	603	924
Total interest expense	3,217	993	2,015
Net interest income	14,728	12,494	12,825
Provision for credit losses	1,977	(1,173)	3,806
Net interest income after provision for credit losses	12,751	13,667	9,019
Noninterest Income			
Card revenue	1,512	1,507	1,338
Corporate payment products revenue	698	575	497
Merchant processing services	1,579	1,449	1,261
Trust and investment management fees	2,209	1,832	1,736
Service charges	1,298	1,338	1,245
Commercial products revenue	1,105	1,102	1,143
Mortgage banking revenue	527	1,361	2,064
Investment products fees	235	239	192
Securities gains (losses), net	20	103	177
Other	273	721	748
Total noninterest income	9,456	10,227	10,401
Noninterest Expense			
Compensation and employee benefits	9,157	8,728	7,938
Net occupancy and equipment	1,096	1,048	1,092
Professional services	529	492	430
Marketing and business development	456	366	318
Technology and communications	1,726	1,728	1,582
Other intangibles	215	159	176
Merger and integration charges	329	—	—
Other	1,398	1,207	1,833
Total noninterest expense	14,906	13,728	13,369
Income before income taxes	7,301	10,166	6,051
Applicable income taxes	1,463	2,181	1,066
Net income	5,838	7,985	4,985
Net (income) loss attributable to noncontrolling interests	(13)	(22)	(26)
Net income attributable to U.S. Bancorp	\$ 5,825	\$ 7,963	\$ 4,959
Net income applicable to U.S. Bancorp common shareholders	\$ 5,501	\$ 7,605	\$ 4,621
Earnings per common share	\$ 3.69	\$ 5.11	\$ 3.06
Diluted earnings per common share	\$ 3.69	\$ 5.10	\$ 3.06
Average common shares outstanding	1,489	1,489	1,509
Average diluted common shares outstanding	1,490	1,490	1,510

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Comprehensive Income

Year Ended December 31 (Dollars in Millions)	2022	2021	2020
Net income	\$ 5,838	\$ 7,985	\$4,985
Other Comprehensive Income (Loss)			
Changes in unrealized gains (losses) on investment securities available-for-sale	(13,656)	(3,698)	2,905
Changes in unrealized gains (losses) on derivative hedges	(75)	125	(194)
Foreign currency translation	(10)	35	2
Changes in unrealized gains (losses) on retirement plans	526	400	(401)
Reclassification to earnings of realized (gains) losses	544	104	(42)
Income taxes related to other comprehensive income (loss)	3,207	769	(575)
Total other comprehensive income (loss)	(9,464)	(2,265)	1,695
Comprehensive income (loss)	(3,626)	5,720	6,680
Comprehensive (income) loss attributable to noncontrolling interests	(13)	(22)	(26)
Comprehensive income (loss) attributable to U.S. Bancorp	\$ (3,639)	\$ 5,698	\$6,654

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Shareholders' Equity

	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
(Dollars and Shares in Millions, Except Per Share Data)										
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 ^(a)					(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 ^(b)					(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
Net income (loss)					7,963			7,963	22	7,985
Other comprehensive income (loss)							(2,265)	(2,265)		(2,265)
Preferred stock dividends ^(c)					(303)			(303)		(303)
Common stock dividends (\$1.76 per share)					(2,630)			(2,630)		(2,630)
Issuance of preferred stock		2,221						2,221		2,221
Call and redemption of preferred stock		(1,833)			(17)			(1,850)		(1,850)
Issuance of common and treasury stock	5			(169)		215		46		46
Purchase of treasury stock	(28)					(1,556)		(1,556)		(1,556)
Distributions to noncontrolling interests									(20)	(20)
Purchase of noncontrolling interests									(167)	(167)
Net other changes in noncontrolling interests									4	4
Stock option and restricted stock grants				197				197		197
Balance December 31, 2021	1,484	\$ 6,371	\$21	\$8,539	\$69,201	\$(27,271)	\$ (1,943)	\$54,918	\$ 469	\$55,387
Net income (loss)					5,825			5,825	13	5,838
Other comprehensive income (loss)							(9,464)	(9,464)		(9,464)
Preferred stock dividends ^(d)					(296)			(296)		(296)
Common stock dividends (\$1.88 per share)					(2,829)			(2,829)		(2,829)
Issuance of preferred stock		437						437		437
Issuance of common and treasury stock	48			(32)		2,071		2,039		2,039
Purchase of treasury stock	(1)					(69)		(69)		(69)
Distributions to noncontrolling interests									(13)	(13)
Net other changes in noncontrolling interests									(3)	(3)
Stock option and restricted stock grants				205				205		205
Balance December 31, 2022	1,531	\$ 6,808	\$21	\$8,712	\$71,901	\$(25,269)	\$ (11,407)	\$50,766	\$ 466	\$51,232

(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. Upon adoption, the Company increased its allowance for credit losses and reduced retained earnings net of deferred taxes through a cumulative-effect adjustment.

(b) 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.

(c) Reflects dividends declared per share on the Company's Series A, Series B, Series F, Series I, Series J, Series K, Series L, Series M and Series N Non-Cumulative Perpetual Preferred Stock of \$3,548.61, \$887.153, \$1,625.00, \$232.953, \$1,325.00, \$1,375.00, \$937.50, \$952.778 and \$202.986, respectively.

(d) Reflects dividends declared per share on the Company's Series A, Series B, Series J, Series K, Series L, Series M, Series N and Series O Non-Cumulative Perpetual Preferred Stock of \$3,965.458, \$962.487, \$1,325.00, \$1,375.00, \$937.50, \$1,000.00, \$925.00, and \$1,050.00, respectively.

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2022	2021	2020
Operating Activities			
Net income attributable to U.S. Bancorp	\$ 5,825	\$ 7,963	\$ 4,959
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	1,977	(1,173)	3,806
Depreciation and amortization of premises and equipment	345	338	351
Amortization of intangibles	215	159	176
(Gain) loss on sale of loans held for sale	387	(1,135)	(2,193)
(Gain) loss on sale of securities and other assets	(188)	(398)	(344)
Loans originated for sale, net of repayments	(33,127)	(72,627)	(67,449)
Proceeds from sales of loans held for sale	38,895	74,315	65,468
Other, net	6,790	2,428	(1,058)
Net cash provided by operating activities	21,119	9,870	3,716
Investing Activities			
Proceeds from sales of available-for-sale investment securities	36,391	16,075	15,596
Proceeds from maturities of held-to-maturity investment securities	5,759	1,093	—
Proceeds from maturities of available-for-sale investment securities	14,927	41,199	40,639
Purchases of held-to-maturity investment securities	(7,091)	(1,088)	—
Purchases of available-for-sale investment securities	(24,592)	(99,045)	(68,662)
Net (increase) decrease in loans outstanding	(27,318)	(17,459)	6,350
Proceeds from sales of loans	4,420	6,183	2,250
Purchases of loans	(2,113)	(4,466)	(11,622)
Net decrease in securities purchased under agreements to resell	252	18	645
Net cash received from (paid for) acquisitions	12,257	(661)	(556)
Other, net	(5,392)	664	(80)
Net cash provided by (used in) investing activities	7,500	(57,487)	(15,440)
Financing Activities			
Net (decrease) increase in deposits	(17,215)	26,313	67,854
Net increase (decrease) in short-term borrowings	15,213	30	(11,957)
Proceeds from issuance of long-term debt	8,732	2,626	14,501
Principal payments or redemption of long-term debt	(6,926)	(11,432)	(14,476)
Proceeds from issuance of preferred stock	437	2,221	486
Proceeds from issuance of common stock	21	43	15
Repurchase of preferred stock	(1,100)	(1,250)	—
Repurchase of common stock	(69)	(1,555)	(1,672)
Cash dividends paid on preferred stock	(299)	(308)	(300)
Cash dividends paid on common stock	(2,776)	(2,579)	(2,552)
Purchase of noncontrolling interests	—	(167)	—
Net cash (used in) provided by financing activities	(3,982)	13,942	51,899
Change in cash and due from banks	24,637	(33,675)	40,175
Cash and due from banks at beginning of period	28,905	62,580	22,405
Cash and due from banks at end of period	\$ 53,542	\$ 28,905	\$ 62,580
Supplemental Cash Flow Disclosures			
Cash paid for income taxes	\$ 767	\$ 535	\$ 1,025
Cash paid for interest	2,717	1,061	2,199
Noncash transfer of available-for-sale investment securities to held-to-maturity	40,695	41,823	—
Net noncash transfers to foreclosed property	23	14	23
Acquisitions			
Assets (sold) acquired	\$106,209	\$ 749	\$ 828
Liabilities sold (assumed)	(95,753)	(88)	(272)
Net	\$ 10,456	\$ 661	\$ 556

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1 Significant Accounting Policies

U.S. Bancorp is a financial services holding company headquartered in Minneapolis, Minnesota, serving millions of local, national and global customers. 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 period presentation.

On December 1, 2022, the Company acquired MUB’s core regional banking franchise from Mitsubishi UFJ Financial Group, Inc. The Company’s results for the year ended December 31, 2022 reflect MUB’s business operations for the month of December 2022 and the Company’s Consolidated Balance Sheet at December 31, 2022 includes MUB’s balances. Refer to Note 3 for additional information on this acquisition.

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 and assumptions.

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.

Held-to-maturity Securities Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Expected credit losses, 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.

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 PCD. An allowance for credit losses is established for each population and considers product mix, risk characteristics of the portfolio, delinquency status and refreshed loan-to-value 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.

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 includes increasing consideration of historical loss experience over 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, from better to 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 consideration of economic forecast uncertainty. 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 rates, real estate prices, gross domestic product levels, inflation, interest rates and corporate bonds spreads, 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. 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. For commercial TDRs individually evaluated for impairment, attributes of the borrower are the primary factors in determining the allowance for credit losses. For smaller commercial loans collectively evaluated for impairment, 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 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 charged down if unsecured by collateral 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.

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 may be provided with an end-of-term purchase option, which is based on the contractual residual 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. Any writedowns to fair value upon the transfer of loans to LHFS are 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:

Card Revenue 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 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 card associations are also recorded within card revenue when services are provided. The Company predominately records 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 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.

Service Charges Service charges include fees received on deposit accounts 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. 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 service charges as services are provided. Further, revenue generated from treasury management services are included in service charges and include fees for a broad range of products and services that enable 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. Treasury management revenue is recognized as products and services are provided to customers. The Company reflects a discount calculated on monthly average collected customer balances. Service charges 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 10 and Note 22 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. 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. Determining the amount of goodwill impairment, if any, includes assessing whether the carrying value of a reporting unit exceeds its fair value. 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. Other intangible assets are amortized over their estimated useful lives, using straight-line and accelerated methods and are reviewed for impairment when indicators of impairment are present. 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 MSR are capitalized as separate assets when loans are sold and servicing is retained or if they are purchased from others. MSR 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 MSR 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 compensation and 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 to the extent exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets, are 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 to 5 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

Reference Interest Rate Transition In March 2020, the Financial Accounting Standards Board ("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, 2024. The Company is applying certain optional expedients and exceptions for cash flow hedges and will continue to evaluate these for eligible contract modifications and hedging relationships.

Fair Value Hedging – Portfolio Layer Method Effective January 1, 2023, the Company adopted accounting guidance, issued by the FASB in March 2022, related to fair value hedge accounting of portfolios of financial assets. This guidance permits a company to designate multiple hedging relationships on a single closed portfolio, resulting in a larger portion of the interest rate risk associated with such a portfolio being eligible to be hedged. The guidance also expands the scope of the method to include non-prepayable financial assets and clarifies other technical questions from the original accounting guidance. The adoption of this guidance is not material to the Company's financial statements.

Financial Instruments – Troubled Debt Restructurings and Vintage Disclosures Effective January 1, 2023, the Company adopted accounting guidance, issued by the FASB in March 2022,

related to the recognition and measurement of TDRs by creditors. This guidance removes the separate recognition and measurement requirements for TDRs by replacing them with a requirement for a company to apply existing accounting guidance to determine whether a modification results in a new loan or a continuation of an existing loan. This guidance also replaces existing TDR disclosures with similar but more expansive disclosures for certain modifications of receivables made to borrowers experiencing financial difficulty. Further, this guidance also requires companies to disclose current-period gross write-offs by year of origination for financing receivables. The adoption of this guidance is not material to the Company's financial statements.

NOTE 3 Business Combinations

MUFG Union Bank Acquisition On December 1, 2022, the Company acquired MUB's core regional banking franchise from Mitsubishi UFJ Financial Group, Inc. Pursuant to the terms of a previously announced Share Purchase Agreement, the Company acquired all of the issued and outstanding shares of common stock of MUB for a purchase price consisting of \$5.5 billion in cash and approximately 44 million shares of common stock of the Company. Under the terms of the Share Purchase Agreement, the purchase price was based on MUB having a tangible book value of \$6.25 billion at the closing of the acquisition. At the closing of the acquisition, MUB had \$3.5 billion in capital over the \$6.25 billion tangible book value target. The additional capital received is held at the MUB subsidiary and is required to be repaid to Mitsubishi UFJ Financial Group, Inc. on or prior to the fifth anniversary date of the completion of the purchase, in accordance with the terms of the Share Purchase Agreement. As such, it is recognized as debt at the parent company. The transaction excludes the purchase of substantially all of MUB's Global Corporate & Investment Bank (other than certain deposits), certain middle and back office functions, and other assets. This transaction has been accounted for as a business combination. Accordingly, the assets acquired and liabilities assumed from MUB were recorded at fair value as of the acquisition date. The determination of fair value requires management to make estimates about discount rates, future expected cash flows, market conditions and other future events that are highly subjective in nature and subject to change. Fair value estimates related to the assets and liabilities from MUB are subject to adjustment for up to one year after the closing date of the acquisition as additional information becomes available. Valuations subject to adjustment include, but are not limited to, loans, certain deposits, certain other assets, customer relationships and the core deposit benefits intangible.

In connection with the transaction, the Company incurred \$329 million of nonrecurring merger and integration charges during 2022 recorded within noninterest expense. These expenses are primarily comprised of personnel, legal, advisory and technology related costs.

The following table includes the fair value of consideration transferred and the preliminary fair value of the identifiable tangible and intangible assets and liabilities from MUB:

December 1, 2022 (Dollars in Millions)

Acquisition consideration	
Cash	\$ 5,500
Market value of shares of common stock	2,014
Total consideration transferred at acquisition close date	7,514
Discounted liability to Mitsubishi UFJ Financial Group, Inc. (a)	2,944
Total	<u>\$ 10,458</u>
Fair Value of MUB assets and liabilities	
Assets	
Cash and due from banks	\$ 17,757
Investment securities	22,725
Loans held for sale	2,220
Loans	53,374
Less allowance for loan losses	(336)
Net loans	53,038
Premises and equipment	646
Other intangible assets (excluding goodwill)	2,883
Other assets	4,719
Total assets	<u>\$103,988</u>
Liabilities	
Deposits	\$ 86,108
Short-term borrowings	4,207
Long-term debt	2,584
Other liabilities	2,854
Total liabilities	95,753
Less: Net assets	\$ 8,235
Goodwill	<u>\$ 2,223</u>

(a) Represents \$3.5 billion of noninterest-bearing additional capital held by MUB upon close of the acquisition to be delivered to Mitsubishi UFJ Financial Group, Inc. on or prior to December 1, 2027, discounted at the Company's 5-year unsecured borrowing rate as of the acquisition date, per authoritative accounting guidance.

Preliminary goodwill of \$2.2 billion recorded in connection with the transaction resulted from the reputation, operating model and expertise of MUB. The amount of goodwill recorded reflects the increased market share and related synergies that are expected to result from the acquisition, and represents the excess purchase price over the estimated fair value of the net

assets from MUB. The goodwill was allocated to the Company's business segments on a preliminary basis and is not deductible for income tax purposes. Refer to Note 11 for the amount of goodwill allocated to each business segment in connection with the transaction.

The following table includes the fair value and unpaid principal balance of the loans from the MUB acquisition:

December 1, 2022 (Dollars in Millions)	Unpaid Principal Balance	Fair Value
Commercial	\$11,771	\$11,366
Commercial real estate	14,397	13,843
Residential mortgages	28,256	26,247
Credit card	299	212
Other retail	1,397	1,370
Total loans	<u>\$56,120</u>	<u>\$53,038</u>

Other intangible assets from the MUB acquisition, as of December 1, 2022, consisted of the following:

(Dollars in Millions)	Weighted-average Estimated Life	Amortization Method	Fair Value
Mortgage servicing rights	—	(a)	\$ 147
Core deposit benefits	10 years	Accelerated	2,710
Other	11 years	Accelerated	26
Total other intangible assets (excluding goodwill)			<u>\$2,883</u>

(a) Mortgage servicing rights are recorded at fair value and are not amortized.

Valuation Methodologies

The methods used to determine the fair values of the significant assets acquired and liabilities assumed as part of the MUB acquisition are described below.

Cash and Due from Banks The carrying amount of these assets is a reasonable estimate of fair value based on the short-term nature of these assets.

Investment Securities Fair value estimates for the investment securities were determined by using quoted market prices for identical securities in active markets when available. For certain securities where quoted market prices were not readily available, the Company utilized a third-party pricing service. The third-party pricing service used a variety of methods that incorporated relevant market data to arrive at an estimate of what a buyer in the marketplace would have paid for these securities under current market conditions. These methods included the use of quoted prices for similar securities, inactive transaction prices and broker quotes, as well as discounted cash flow methodologies.

Loans Held for Sale Fair value estimates for loans held for sale were valued based on quoted market prices, where available, and by comparison to instruments with similar collateral and risk profiles.

Loans Fair value estimates for loans were based on discounted cash flow methodologies that considered credit loss and prepayment expectations, market interest rates and other market

factors, such as liquidity, from the perspective of a market participant. Loan cash flows were generated on an individual loan basis. The probability of default, loss given default, exposure at default and prepayment assumptions were the key factors in determining expected credit losses which were embedded into the estimated cash flows.

Core Deposit Benefits This intangible asset represents the economic benefit created by certain client deposit relationships by way of favorable funding relative to alternative sources. The fair value was estimated utilizing the after-tax cost savings method of the income approach. Appropriate consideration was given to deposit costs including cost of funds, net maintenance costs or servicing costs, client retention and alternative funding source costs at the time of acquisition. The discount rate used was derived taking into account the estimated cost of equity, risk-free return rate and risk premium for the market and specific risk related to the asset's cash flows.

Other Assets Included in other assets are tax-advantaged investments promoting affordable housing. The fair value of these investments was estimated based on the value of the expected future benefits.

Deposits and Borrowed Funds The fair values for deposits, short-term borrowings and long-term debt were estimated by discounting contractual cash flows using current market rates for instruments with similar maturities.

The following table presents financial results of MUB included in the Consolidated Statement of Income from the date of acquisition through December 31, 2022.

(Dollars in Millions)	One Month Ended December 31, 2022
Net interest income	\$ 255
Noninterest income	(38) ^(a)
Net income (loss)	(562)

(a) Includes realized losses on investment securities sold.

The following table presents unaudited pro forma results as if the acquisition of MUB by the Company occurred on January 1, 2021 and includes the impact of amortizing and accreting certain estimated purchase accounting adjustments such as intangible assets as well as fair value adjustments to investment securities, loans, deposits and long-term debt. The pro forma information does not necessarily reflect the results that would have occurred had the Company acquired MUB on January 1, 2021.

Year Ended December 31 (Dollars in Millions)	2022	2021
Net interest income	\$17,541	\$14,958
Noninterest income	10,068	11,071
Net income	7,184	7,187

The Company initially measures the amortized cost of a PCD loan by adding the acquisition date estimate of expected credit losses to the loan's purchase price. The initial allowance for credit losses for PCD loans of \$336 million was established through an adjustment to the MUB loan balance reflected in the related purchase accounting mark. Non-PCD loans and PCD loans had a fair value of \$48.5 billion and \$4.5 billion, respectively, at the

acquisition date with unpaid principal balances of \$51.0 billion and \$5.1 billion, respectively. In accordance with authoritative accounting guidance, there was no carryover of the allowance for credit losses that had been previously recorded by MUB. Subsequent to acquisition, the Company recorded an allowance for credit losses primarily on non-PCD loans of \$662 million through an increase to the provision for credit losses.

The following table provides information about the determination of the purchase price of PCD loans at the acquisition date:

December 1, 2022 (Dollars in Millions)

Principal balance	\$5,097
Allowance for credit losses at acquisition	(336)
Non-credit discount	(213)
Purchase price	<u>\$4,548</u>

NOTE 4 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 \$45 million and \$78 million at December 31, 2022 and 2021, respectively. The Company held balances at central

banks and other financial institutions of \$41.6 billion and \$23.0 billion at December 31, 2022 and 2021, 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 5 Investment Securities

The Company's held-to-maturity investment securities are carried at historical cost, adjusted for amortization of premiums and accretion of discounts. The Company's available-for-sale

investment securities are carried at fair value with unrealized net gains or losses reported within accumulated other comprehensive income (loss) in shareholders' equity.

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

(Dollars in Millions)	2022				2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity								
U.S. Treasury and agencies	\$ 1,344	\$ -	\$ (51)	\$ 1,293	\$ -	\$ -	\$ -	\$ -
Mortgage-backed securities								
Residential agency	85,693	2	(10,810)	74,885	41,858	2	(48)	41,812
Commercial agency	1,703	1	(8)	1,696	-	-	-	-
Total held-to-maturity	<u>\$88,740</u>	<u>\$ 3</u>	<u>\$ (10,869)</u>	<u>\$77,874</u>	<u>\$ 41,858</u>	<u>\$ 2</u>	<u>\$ (48)</u>	<u>\$ 41,812</u>
Available-for-sale								
U.S. Treasury and agencies	\$24,801	\$ 1	\$ (2,769)	\$22,033	\$ 36,648	\$ 205	\$ (244)	\$ 36,609
Mortgage-backed securities								
Residential agency	32,060	8	(2,797)	29,271	76,761	665	(347)	77,079
Commercial								
Agency	8,736	-	(1,591)	7,145	8,633	53	(201)	8,485
Non-agency	7	-	-	7	-	-	-	-
Asset-backed securities	4,356	5	(38)	4,323	62	4	-	66
Obligations of state and political subdivisions	11,484	12	(1,371)	10,125	10,130	607	(20)	10,717
Other	6	-	-	6	7	-	-	7
Total available-for-sale	<u>\$81,450</u>	<u>\$26</u>	<u>\$ (8,566)</u>	<u>\$72,910</u>	<u>\$132,241</u>	<u>\$1,534</u>	<u>\$ (812)</u>	<u>\$132,963</u>

During 2022, the Company transferred \$45.1 billion amortized cost (\$40.7 billion fair value) of available-for-sale investment securities to the held-to-maturity category to reflect its new intent for these securities.

Investment securities with a fair value of \$15.3 billion at December 31, 2022, and \$30.7 billion at December 31, 2021, 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 \$858 million at December 31, 2022, and \$557 million at December 31, 2021.

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)	2022	2021	2020
Taxable	\$3,081	\$2,103	\$2,201
Non-taxable	297	262	227
Total interest income from investment securities	<u>\$3,378</u>	<u>\$2,365</u>	<u>\$2,428</u>

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)	2022	2021	2020
Realized gains	\$ 163	\$122	\$200
Realized losses	(143)	(19)	(23)
Net realized gains	\$ 20	\$103	\$177
Income tax on net realized gains	\$ 5	\$ 26	\$ 45

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 at December 31, 2022 and December 31, 2021.

At December 31, 2022, 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, 2022:

(Dollars in Millions)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury and agencies	\$13,265	\$(1,193)	\$ 7,962	\$(1,576)	\$21,227	\$(2,769)
Mortgage-backed securities						
Residential agency	20,854	(1,461)	7,752	(1,336)	28,606	(2,797)
Commercial						
Agency	2,029	(311)	5,115	(1,280)	7,144	(1,591)
Non-agency	7	—	—	—	7	—
Asset-backed securities	3,476	(38)	—	—	3,476	(38)
Obligations of state and political subdivisions	8,246	(944)	1,088	(427)	9,334	(1,371)
Other	—	—	4	—	4	—
Total investment securities	\$47,877	\$(3,947)	\$21,921	\$(4,619)	\$69,798	\$(8,566)

These unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase of these available-for-sale 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, 2022, 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, 2022 and 2021, the Company did not purchase any investment securities that had more-than-insignificant credit deterioration.

All of the Company's held-to-maturity investment securities are U.S. Treasury and agencies securities and highly rated agency mortgage-backed securities that are guaranteed or otherwise supported by the United States government and have no history of credit losses. Accordingly the Company does not expect to incur any credit losses on held-to-maturity investment securities and has no allowance for credit losses recorded for these securities.

The following table provides information about the amortized cost, fair value and yield by maturity date of the investment securities outstanding at December 31, 2022:

(Dollars in Millions)	Amortized Cost	Fair Value	Weighted- Average Maturity in Years	Weighted- Average Yield ^(e)
Held-to-maturity				
U.S. Treasury and Agencies				
Maturing in one year or less	\$ —	\$ —	—	—%
Maturing after one year through five years	1,344	1,293	3.3	2.85
Maturing after five years through ten years	—	—	—	—
Maturing after ten years	—	—	—	—
Total	<u>\$ 1,344</u>	<u>\$ 1,293</u>	<u>3.3</u>	<u>2.85%</u>
Mortgage-Backed Securities ^(a)				
Maturing in one year or less	\$ 19	\$ 19	.7	3.08%
Maturing after one year through five years	1,549	1,546	2.7	4.35
Maturing after five years through ten years	67,062	59,194	9.2	2.15
Maturing after ten years	18,766	15,822	10.2	2.05
Total	<u>\$87,396</u>	<u>\$76,581</u>	<u>9.3</u>	<u>2.17%</u>
Total held-to-maturity ^(b)	<u>\$88,740</u>	<u>\$77,874</u>	<u>9.2</u>	<u>2.18%</u>
Available-for-sale				
U.S. Treasury and Agencies				
Maturing in one year or less	\$ 259	\$ 259	.4	4.72%
Maturing after one year through five years	4,900	4,606	3.8	2.51
Maturing after five years through ten years	15,937	14,114	7.0	2.24
Maturing after ten years	3,705	3,054	12.0	2.97
Total	<u>\$24,801</u>	<u>\$22,033</u>	<u>7.1</u>	<u>2.43%</u>
Mortgage-Backed Securities ^(a)				
Maturing in one year or less	\$ 44	\$ 43	.8	2.55%
Maturing after one year through five years	10,976	10,242	3.1	2.33
Maturing after five years through ten years	28,277	24,827	7.7	3.00
Maturing after ten years	1,506	1,311	11.2	3.54
Total	<u>\$40,803</u>	<u>\$36,423</u>	<u>6.6</u>	<u>2.83%</u>
Asset-Backed Securities				
Maturing in one year or less	\$ 3,429	\$ 3,391	.6	4.25%
Maturing after one year through five years	500	503	2.8	5.68
Maturing after five years through ten years	427	429	5.3	6.00
Maturing after ten years	—	—	—	—
Total	<u>\$ 4,356</u>	<u>\$ 4,323</u>	<u>1.3</u>	<u>4.59%</u>
Obligations of State and Political Subdivisions ^{(c) (d)}				
Maturing in one year or less	\$ 106	\$ 107	.2	5.12%
Maturing after one year through five years	1,756	1,747	3.7	4.72
Maturing after five years through ten years	1,341	1,286	8.3	4.10
Maturing after ten years	8,281	6,985	16.8	3.49
Total	<u>\$11,484</u>	<u>\$10,125</u>	<u>13.6</u>	<u>3.76%</u>
Other				
Maturing in one year or less	\$ 6	\$ 6	.1	1.99%
Maturing after one year through five years	—	—	—	—
Maturing after five years through ten years	—	—	—	—
Maturing after ten years	—	—	—	—
Total	<u>\$ 6</u>	<u>\$ 6</u>	<u>.1</u>	<u>1.99%</u>
Total available-for-sale ^(b)	<u>\$81,450</u>	<u>\$72,910</u>	<u>7.4</u>	<u>2.94%</u>

(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) The weighted-average maturity of total held-to-maturity investment securities was 7.4 years at December 31, 2021, with a corresponding weighted-average yield of 1.45 percent. The weighted-average maturity of total available-for-sale investment securities was 5.5 years at December 31, 2021, with a corresponding weighted-average yield of 1.73 percent.

(c) 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.

(d) 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.

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

NOTE 6 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)	2022	2021
Commercial		
Commercial	\$131,128	\$106,912
Lease financing	4,562	5,111
Total commercial	135,690	112,023
Commercial Real Estate		
Commercial mortgages	43,765	28,757
Construction and development	11,722	10,296
Total commercial real estate	55,487	39,053
Residential Mortgages		
Residential mortgages	107,858	67,546
Home equity loans, first liens	7,987	8,947
Total residential mortgages	115,845	76,493
Credit Card	26,295	22,500
Other Retail		
Retail leasing	5,519	7,256
Home equity and second mortgages	12,863	10,446
Revolving credit	3,983	2,750
Installment	14,592	16,641
Automobile	17,939	24,866
Total other retail	54,896	61,959
Total loans	\$388,213	\$312,028

The Company had loans of \$134.6 billion at December 31, 2022, and \$92.1 billion at December 31, 2021, pledged at the Federal Home Loan Bank, and loans of \$85.8 billion at December 31, 2022, and \$76.9 billion at December 31, 2021, 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. Purchased loans are recorded at fair value at the date of purchase. Net unearned interest and deferred fees and costs on originated loans and

unamortized premiums and discounts on purchased loans amounted to \$3.1 billion at December 31, 2022 and \$475 million at December 31, 2021. 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 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.

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	Total Loans
Balance at December 31, 2021	\$1,849	\$1,123	\$565	\$1,673	\$ 945	\$ 6,155
Add						
Allowance for acquired credit losses ^(a)	163	87	36	45	5	336
Provision for credit losses ^(b)	378	152	302	826	319	1,977
Deduct						
Loans charged-off ^(c)	319	54	13	696	418	1,500
Less recoveries of loans charged-off	(92)	(17)	(36)	(172)	(120)	(437)
Net loan charge-offs (recoveries)	227	37	(23)	524	298	1,063
Other Changes	–	–	–	–	(1)	(1)
Balance at December 31, 2022	\$2,163	\$1,325	\$926	\$2,020	\$ 970	\$ 7,404
Balance at December 31, 2020	\$2,423	\$1,544	\$573	\$2,355	\$1,115	\$ 8,010
Add						
Provision for credit losses	(471)	(419)	(40)	(170)	(73)	(1,173)
Deduct						
Loans charged-off	222	29	18	686	253	1,208
Less recoveries of loans charged-off	(119)	(27)	(50)	(174)	(156)	(526)
Net loan charge-offs (recoveries)	103	2	(32)	512	97	682
Balance at December 31, 2021	\$1,849	\$1,123	\$565	\$1,673	\$ 945	\$ 6,155
Balance at December 31, 2019	\$1,484	\$ 799	\$433	\$1,128	\$ 647	\$ 4,491
Add						
Change in accounting principle ^(d)	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 loan charge-offs (recoveries)	513	187	(12)	829	269	1,786
Balance at December 31, 2020	\$2,423	\$1,544	\$573	\$2,355	\$1,115	\$ 8,010

(a) Represents allowance for purchased credit deteriorated and charged-off loans acquired from MUB.

(b) Includes \$662 million of provision for credit losses related to the acquisition of MUB.

(c) Includes \$179 million of total charge-offs primarily on loans previously charged-off by MUB, which were written up upon acquisition to unpaid principal balance as required by purchase accounting.

(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.

The increase in the allowance for credit losses from December 31, 2021 to December 31, 2022 reflected \$336 million for purchased credit deteriorated and charged-off loans acquired from MUB and the impact of MUB's provision for credit losses of \$662 million for loans acquired, as well as the impact of loan growth and increased economic uncertainty.

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:

(Dollars in Millions)	Accruing			Nonperforming ^(b)	Total
	Current	30-89 Days Past Due	90 Days or More Past Due		
December 31, 2022					
Commercial	\$135,077	\$ 350	\$ 94	\$169	\$135,690
Commercial real estate	55,057	87	5	338	55,487
Residential mortgages ^(a)	115,224	201	95	325	115,845
Credit card	25,780	283	231	1	26,295
Other retail	54,382	309	66	139	54,896
Total loans	\$385,520	\$1,230	\$491	\$972	\$388,213
December 31, 2021					
Commercial	\$111,270	\$ 530	\$ 49	\$174	\$112,023
Commercial real estate	38,678	80	11	284	39,053
Residential mortgages ^(a)	75,962	124	181	226	76,493
Credit card	22,142	193	165	—	22,500
Other retail	61,468	275	66	150	61,959
Total loans	\$309,520	\$1,202	\$472	\$834	\$312,028

(a) At December 31, 2022, \$647 million of loans 30–89 days past due and \$2.2 billion of loans 90 days or more past due purchased and that could be purchased from Government National Mortgage Association (“GNMA”) mortgage pools under delinquent loan repurchase options 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 \$791 million and \$1.5 billion at December 31, 2021, respectively.

(b) Substantially all nonperforming loans at December 31, 2022 and 2021, had an associated allowance for credit losses. The Company recognized interest income on nonperforming loans of \$19 million and \$16 million for the years ended December 31, 2022 and 2021, respectively, compared to what would have been recognized at the original contractual terms of the loans of \$34 million for both periods.

At December 31, 2022, total nonperforming assets held by the Company were \$1.0 billion, compared with \$878 million at December 31, 2021. Total nonperforming assets included \$972 million of nonperforming loans, \$23 million of OREO and \$21 million of other nonperforming assets owned by the Company at December 31, 2022, compared with \$834 million, \$22 million and \$22 million, respectively at December 31, 2021.

At December 31, 2022, the amount of foreclosed residential real estate held by the Company, and included in OREO, was \$23 million, compared with \$22 million at December 31, 2021. These amounts excluded \$54 million and \$22 million at December 31, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, was \$1.1 billion and \$696 million, respectively, of which \$830 million and \$555 million, respectively, related to loans purchased and that could be purchased from Government National Mortgage Association (“GNMA”) mortgage pools under delinquent loan repurchase options 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, 2022					December 31, 2021				
	Pass	Criticized			Total	Pass	Criticized			Total
		Special Mention	Classified ^(a)	Total Criticized			Special Mention	Classified ^(a)	Total Criticized	
Commercial										
Originated in 2022	\$ 61,229	\$ 245	\$ 315	\$ 560	\$ 61,789	\$ -	\$ -	\$ -	\$ -	\$ -
Originated in 2021	26,411	159	78	237	26,648	51,155	387	287	674	51,829
Originated in 2020	7,049	68	138	206	7,255	14,091	304	133	437	14,528
Originated in 2019	3,962	51	210	261	4,223	10,159	151	54	205	10,364
Originated in 2018	2,119	31	32	63	2,182	5,122	3	36	39	5,161
Originated prior to 2018	6,867	33	97	130	6,997	4,923	30	81	111	5,034
Revolving ^(b)	25,888	344	364	708	26,596	24,722	268	117	385	25,107
Total commercial	133,525	931	1,234	2,165	135,690	110,172	1,143	708	1,851	112,023
Commercial real estate										
Originated in 2022	14,527	206	519	725	15,252	-	-	-	-	-
Originated in 2021	13,565	171	99	270	13,835	13,364	6	990	996	14,360
Originated in 2020	6,489	97	117	214	6,703	7,459	198	263	461	7,920
Originated in 2019	6,991	251	304	555	7,546	6,368	251	610	861	7,229
Originated in 2018	3,550	88	501	589	4,139	2,996	29	229	258	3,254
Originated prior to 2018	6,089	50	374	424	6,513	4,473	55	224	279	4,752
Revolving	1,489	-	10	10	1,499	1,494	1	43	44	1,538
Total commercial real estate	52,700	863	1,924	2,787	55,487	36,154	540	2,359	2,899	39,053
Residential mortgages^(c)										
Originated in 2022	28,452	-	-	-	28,452	-	-	-	-	-
Originated in 2021	39,527	-	7	7	39,534	29,882	-	3	3	29,885
Originated in 2020	16,556	-	8	8	16,564	15,948	1	8	9	15,957
Originated in 2019	7,222	-	18	18	7,240	6,938	-	36	36	6,974
Originated in 2018	2,934	-	26	26	2,960	2,889	-	30	30	2,919
Originated prior to 2018	20,724	-	371	371	21,095	20,415	-	342	342	20,757
Revolving	-	-	-	-	-	1	-	-	-	1
Total residential mortgages	115,415	-	430	430	115,845	76,073	1	419	420	76,493
Credit card ^(d)	26,063	-	232	232	26,295	22,335	-	165	165	22,500
Other retail										
Originated in 2022	9,563	-	6	6	9,569	-	-	-	-	-
Originated in 2021	15,352	-	12	12	15,364	22,455	-	6	6	22,461
Originated in 2020	7,828	-	11	11	7,839	12,071	-	9	9	12,080
Originated in 2019	3,418	-	13	13	3,431	7,223	-	17	17	7,240
Originated in 2018	1,421	-	9	9	1,430	3,285	-	14	14	3,299
Originated prior to 2018	2,268	-	22	22	2,290	3,699	-	24	24	3,723
Revolving	14,029	-	98	98	14,127	12,532	-	112	112	12,644
Revolving converted to term	800	-	46	46	846	472	-	40	40	512
Total other retail	54,679	-	217	217	54,896	61,737	-	222	222	61,959
Total loans	\$382,382	\$1,794	\$4,037	\$5,831	\$388,213	\$306,471	\$1,684	\$3,873	\$5,557	\$312,028
Total outstanding commitments	\$772,804	\$2,825	\$5,041	\$7,866	\$780,670	\$662,363	\$3,372	\$5,684	\$9,056	\$671,419

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

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

(b) Includes an immaterial amount of revolving converted to term loans.

(c) At December 31, 2022, \$2.2 billion of GNMA loans 90 days or more past due and \$1.0 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 \$1.5 billion and \$1.1 billion at December 31, 2021, respectively.

(d) Predominately all credit card loans are considered revolving loans. Includes an immaterial amount of revolving converted to term 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
2022			
Commercial	2,259	\$ 148	\$ 134
Commercial real estate	75	50	47
Residential mortgages	1,699	475	476
Credit card	44,470	243	246
Other retail	2,514	89	85
Total loans, excluding loans purchased from GNMA mortgage pools	51,017	1,005	988
Loans purchased from GNMA mortgage pools	1,640	226	230
Total loans	<u>52,657</u>	<u>\$1,231</u>	<u>\$1,218</u>
2021			
Commercial	2,156	\$ 140	\$ 127
Commercial real estate	112	193	179
Residential mortgages	977	329	328
Credit card	25,297	144	146
Other retail	2,576	74	67
Total loans, excluding loans purchased from GNMA mortgage pools	31,118	880	847
Loans purchased from GNMA mortgage pools	2,311	334	346
Total loans	<u>33,429</u>	<u>\$1,214</u>	<u>\$1,193</u>
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	<u>36,954</u>	<u>\$2,211</u>	<u>\$2,021</u>

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, 2022, 4 residential mortgages, 5 home equity and second mortgage loans and 52 loans purchased from GNMA mortgage pools with outstanding balances of less than \$1 million, less than \$1 million and \$6 million, respectively, were in a trial period and have estimated post-modification balances of less than \$1 million, less than \$1 million and \$6 million, respectively, assuming permanent modification occurs at the end of the trial period.

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

(Dollars in Millions)	Number of Loans	Amount Defaulted
2022		
Commercial	767	\$ 24
Commercial real estate	20	11
Residential mortgages	235	28
Credit card	7,904	42
Other retail	307	5
Total loans, excluding loans purchased from GNMA mortgage pools	9,233	110
Loans purchased from GNMA mortgage pools	282	59
Total loans	<u>9,515</u>	<u>\$169</u>
2021		
Commercial	1,084	\$ 32
Commercial real estate	16	7
Residential mortgages	81	9
Credit card	7,700	43
Other retail	714	11
Total loans, excluding loans purchased from GNMA mortgage pools	9,595	102
Loans purchased from GNMA mortgage pools	176	26
Total loans	<u>9,771</u>	<u>\$128</u>
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	<u>8,729</u>	<u>\$220</u>

In addition to the defaults in the table above, the Company had a total of 16 residential mortgage loans, home equity and second mortgage loans and loans purchased from GNMA mortgage pools for the year ended December 31, 2022, 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 \$2 million for the year ended December 31, 2022.

As of December 31, 2022, the Company had \$21 million of commitments to lend additional funds to borrowers whose terms of their outstanding owed balances have been modified in TDRs.

NOTE 7 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)	2022	2021
Lease receivables	\$ 8,731	\$10,738
Unguaranteed residual values accruing to the lessor's benefit	1,323	1,610
Total net investment in sales-type and direct financing leases	\$10,054	\$12,348

The Company, as a lessor, recorded \$764 million, \$888 million and \$952 million of revenue on its Consolidated Statement of Income for the years ended December 31, 2022,

2021 and 2020, 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, 2022, were as follows:

(Dollars in Millions)	Sales-type and direct financing leases	Operating leases
2023	\$3,496	\$134
2024	2,765	103
2025	1,665	69
2026	658	33
2027	284	18
Thereafter	447	26
Total lease payments	9,315	\$383
Amounts representing interest	(584)	
Lease receivables	\$8,731	

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, 2022, the Company's ROU assets included in premises and equipment and lease liabilities included in long-term debt and other liabilities, were \$1.6 billion and \$1.7 billion,

respectively, compared with \$1.2 billion of ROU assets and \$1.3 billion of lease liabilities at December 31, 2021, respectively.

Total costs incurred by the Company, as a lessee, were \$390 million, \$364 million and \$374 million for the years ended December 31, 2022, 2021 and 2020, 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)	2022	2021	2020
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$294	\$288	\$305
Operating cash flows from finance leases	4	5	6
Financing cash flows from finance leases	14	12	12
Right of use assets obtained in exchange for new operating lease liabilities	239	164	128
Right of use assets obtained in exchange for new finance lease liabilities	91	75	6

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:

	2022	2021
Weighted-average remaining lease term of operating leases (in years)	6.8	7.0
Weighted-average remaining lease term of finance leases (in years)	8.5	9.5
Weighted-average discount rate of operating leases	3.3%	2.7%
Weighted-average discount rate of finance leases	7.9%	9.3%

The contractual future lease obligations of the Company at December 31, 2022, were as follows:

(Dollars in Millions)	Operating leases	Finance leases
2023	\$ 369	\$ 29
2024	318	51
2025	255	48
2026	198	33
2027	152	10
Thereafter	410	28
Total lease payments	1,702	199
Amounts representing interest	(202)	(22)
Lease liabilities	\$1,500	\$177

NOTE 8 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 23.

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 10. 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 discontinued providing this support beginning in the third quarter of 2022 due to rising interest rates in the current year. The Company provided \$65 million, \$250 million and \$89 million of support to the funds during the years ended December 31, 2022, 2021 and 2020, 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 \$461 million, \$508 million and \$578 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Company also recognized \$527 million, \$418 million and \$414 million of investment tax credits for the years ended December 31, 2022, 2021 and 2020, respectively. The Company recognized \$424 million, \$468 million and \$545 million of expenses related to all of these investments for the years ended December 31, 2022, 2021 and 2020, respectively, of which \$359 million, \$336 million and \$367 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)	2022	2021
Investment carrying amount	\$5,452	\$4,484
Unfunded capital and other commitments . . .	2,416	1,890
Maximum exposure to loss	9,761	9,899

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 \$177 million at December 31, 2022 and \$40 million at December 31, 2021. The maximum exposure to loss related to these VIEs was \$310 million at December 31, 2022 and \$84 million at December 31, 2021, representing the Company’s investment balance and its unfunded commitments to invest additional amounts.

The Company also holds \$3.4 billion of senior notes as available-for-sale investment securities. These senior notes were issued by third-party securitization vehicles that hold \$4 billion of indirect auto loans that collateralize the senior notes. These VIEs are not consolidated by the Company.

The Company's individual net investments in unconsolidated VIEs, which exclude any unfunded capital commitments, ranged from less than \$1 million to \$116 million at December 31, 2022, compared with less than \$1 million to \$75 million at December 31, 2021.

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, 2022, approximately \$5.9 billion of the Company's assets and \$4.2 billion of its liabilities included on the Consolidated Balance Sheet were related to community development and tax-advantaged investment VIEs which the Company has consolidated, primarily related to these transfers. These amounts compared to \$5.0 billion and \$3.4 billion, respectively, at

December 31, 2021. 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, 2022, \$1.5 billion of available-for-sale investment securities and \$1.0 billion of short-term borrowings on the Consolidated Balance Sheet were related to the tender option bond program, compared with \$1.7 billion of available-for-sale investment securities and \$1.2 billion of short-term borrowings at December 31, 2021.

NOTE 9 Premises and Equipment

Premises and equipment at December 31 consisted of the following:

(Dollars in Millions)	2022	2021
Land	\$ 535	\$ 445
Buildings and improvements	3,296	3,161
Furniture, fixtures and equipment	3,485	3,438
Right of use assets on operating leases	1,296	1,014
Right of use assets on finance leases	269	172
Construction in progress	46	23
	<u>8,927</u>	<u>8,253</u>
Less accumulated depreciation and amortization	(5,069)	(4,948)
Total	\$ 3,858	\$ 3,305

NOTE 10 Mortgage Servicing Rights

The Company capitalizes MSR 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 \$243.6 billion of residential mortgage loans for others at December 31, 2022, and \$222.4 billion at December 31, 2021, 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 net losses of \$45 million and \$183 million, and a net gain of \$18 million for the years ended December 31, 2022, 2021 and 2020, respectively. Loan servicing and ancillary fees, not including valuation changes, included in mortgage banking revenue were \$754 million, \$725 million and \$718 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Changes in fair value of capitalized MSRs are summarized as follows:

(Dollars in Millions)	2022	2021	2020
Balance at beginning of period	\$2,953	\$2,210	\$2,546
Rights purchased	156	42	34
Rights capitalized	590	1,136	1,030
Rights sold ^(a)	(255)	2	3
Changes in fair value of MSRs			
Due to fluctuations in market interest rates ^(b)	804	272	(719)
Due to revised assumptions or models ^(c)	(29)	(196)	(12)
Other changes in fair value ^(d)	(464)	(513)	(672)
Balance at end of period	\$3,755	\$2,953	\$2,210

(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 delinquencies.

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:

(Dollars in Millions)	2022						2021					
	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	\$(334)	\$(153)	\$(73)	\$ 66	\$ 125	\$ 224	\$(636)	\$(324)	\$(160)	\$ 150	\$ 287	\$ 511
Derivative instrument hedges	337	153	73	(67)	(127)	(236)	614	309	152	(142)	(278)	(536)
Net sensitivity	\$ 3	\$ -	\$ -	\$ (1)	\$ (2)	\$ (12)	\$ (22)	\$ (15)	\$ (8)	\$ 8	\$ 9	\$ (25)

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:

(Dollars in Millions)	2022				2021			
	HFA	Government	Conventional ^(d)	Total	HFA	Government	Conventional ^(d)	Total
Servicing portfolio ^(a)	\$44,071	\$23,141	\$172,541	\$239,753	\$40,652	\$21,919	\$156,382	\$218,953
Fair value	\$ 725	\$ 454	\$ 2,576	\$ 3,755	\$ 527	\$ 308	\$ 2,118	\$ 2,953
Value (bps) ^(b)	165	196	149	157	130	141	135	135
Weighted-average servicing fees (bps)	36	42	27	30	36	41	30	32
Multiple (value/servicing fees)	4.56	4.69	5.52	5.20	3.63	3.43	4.50	4.18
Weighted-average note rate	4.16%	3.81%	3.52%	3.67%	4.07%	3.70%	3.41%	3.56%
Weighted-average age (in years)	4.0	5.7	3.7	3.9	3.8	5.9	3.3	3.7
Weighted-average expected prepayment (constant prepayment rate)	7.4%	8.5%	7.8%	7.8%	11.5%	13.2%	9.6%	10.3%
Weighted-average expected life (in years)	8.8	7.6	7.5	7.7	6.5	5.6	6.9	6.7
Weighted-average option adjusted spread ^(c)	7.6%	6.9%	5.1%	5.8%	7.3%	7.3%	6.3%	6.6%

(a) Represents principal balance of mortgages having corresponding MSR asset.

(b) Calculated as fair value divided by the servicing portfolio.

(c) Option adjusted spread is the incremental spread added to the risk-free rate to reflect optionality and other risk inherent in the MSRs.

(d) Represents loans sold primarily to GSEs.

NOTE 11 Intangible Assets

Intangible assets consisted of the following:

At December 31 (Dollars in Millions)	2022	2021
Goodwill	\$12,373	\$10,262
Merchant processing contracts	155	195
Core deposit benefits	2,706	49
Mortgage servicing rights	3,755	2,953
Trust relationships	50	62
Other identified intangibles	489	479
Total	\$19,528	\$14,000

Aggregate amortization expense consisted of the following:

Year Ended December 31 (Dollars in Millions)	2022	2021	2020
Merchant processing contracts	\$ 38	\$ 45	\$ 49
Core deposit benefits	53	15	18
Trust relationships	12	10	9
Other identified intangibles	112	89	100
Total	\$215	\$159	\$176

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

(Dollars in Millions)	
2023	\$647
2024	572
2025	490
2026	422
2027	350

The following table reflects the changes in the carrying value of goodwill for the years ended December 31, 2022, 2021 and 2020:

(Dollars in Millions)	Consumer and					Consolidated
	Corporate and Commercial Banking	Business Banking	Wealth Management and Investment Services	Payment Services	Treasury and Corporate Support		Company
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
Goodwill acquired	—	35	144	192	—	371
Foreign exchange translation and other	265	(265)	(2)	(25)	—	(27)
Balance at December 31, 2021	\$1,912	\$3,245	\$1,761	\$3,344	\$—	\$10,262
Goodwill acquired	889	1,220	29	11	—	2,149
Foreign exchange translation and other	—	—	(2)	(36)	—	(38)
Balance at December 31, 2022	\$2,801	\$4,465	\$1,788	\$3,319	\$—	\$12,373

NOTE 12 Deposits

The composition of deposits at December 31 was as follows:

(Dollars in Millions)	2022	2021
Noninterest-bearing deposits	\$137,743	\$134,901
Interest-bearing deposits		
Interest checking	134,491	115,108
Money market savings	148,014	117,619
Savings accounts	71,782	65,790
Time deposits	32,946	22,665
Total interest-bearing deposits	387,233	321,182
Total deposits	\$524,976	\$456,083

The maturities of time deposits outstanding at December 31, 2022 were as follows:

(Dollars in Millions)	2022	2021
2023		\$26,622
2024		3,879
2025		1,668
2026		458
2027		317
Thereafter		2
Total		\$32,946

NOTE 13 Short-Term Borrowings

Short-term borrowings at December 31 consisted of the following:

(Dollars in Millions)	2022	2021
Federal funds purchased	\$ 226	\$ 628
Securities sold under agreements to repurchase	1,431	1,575
Commercial paper	8,145	6,026
Other short-term borrowings	21,414 ^(a)	3,567
Total	\$31,216	\$11,796

(a) Balance primarily includes short-term FHLB advances.

NOTE 14 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	2022	2021
U.S. Bancorp (Parent Company)					
Subordinated notes	Fixed	2.950%	2022	\$ —	\$ 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
	Fixed	4.967%	2033	1,300	—
	Fixed	2.491%	2036	1,300	1,300
Medium-term notes	Fixed	.850% - 5.850%	2024 - 2033	18,468	12,631
Other ^(b)				2,716	472
Subtotal				26,983	18,902
Subsidiaries					
Federal Home Loan Bank advances	Fixed	2.289% - 8.250%	2023 - 2026	2,051	2
	Floating ^(d)	5.190% - 5.197%	2025 - 2026	3,000	3,272
Bank notes	Fixed	1.950% - 3.400%	2023 - 2025	4,800	5,700
	Floating ^(d)	—% - 4.758%	2023 - 2062	1,352	3,337
Other ^(c)				1,643	912
Subtotal				12,846	13,223
Total				\$39,829	\$32,125

(a) Weighted-average interest rates of medium-term notes, Federal Home Loan Bank advances and bank notes were 3.20 percent, 4.02 percent and 2.78 percent, respectively.

(b) Includes \$2.9 billion of discounted noninterest-bearing additional capital received by the Company upon close of the MUB acquisition to be delivered to Mitsubishi UFJ Financial Group, Inc. on or prior to December 1, 2027, discounted at the Company's 5-year unsecured borrowing rate as of the acquisition date, as well as 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.

(d) Includes \$3.0 billion of Federal Home Loan Bank advances and \$1.0 billion of bank notes for which interest is calculated by reference to LIBOR. For any outstanding LIBOR-linked instrument that matures after June 30, 2023, the interest rate will transition from a LIBOR-based rate to an alternative reference rate. For outstanding debt subject to the Adjustable Interest Rate (LIBOR) Act (the "LIBOR Act") that does not contain a fallback provision or does not contain a clearly defined or practicable fallback provision in the event that LIBOR is no longer published or quoted, the interest rate will transition pursuant to the LIBOR Act to a rate based on the Secured Overnight Financing Rate ("SOFR") after June 30, 2023. For outstanding debt that contains adequate fallback provisions in the event that LIBOR is no longer published or quoted, these fallback provisions will be utilized to determine the replacement rate applied after June 30, 2023.

The Company has arrangements with the Federal Home Loan Bank and Federal Reserve Bank whereby the Company could have borrowed an additional \$114.8 billion and \$101.0 billion at December 31, 2022 and 2021, respectively, based on collateral available.

Maturities of long-term debt outstanding at December 31, 2022, were:

(Dollars in Millions)	Parent Company	Consolidated
2023	\$ 899	\$ 4,854
2024	5,424	5,490
2025	1,965	5,498
2026	3,978	7,397
2027	3,722	3,751
Thereafter	10,995	12,839
Total	\$26,983	\$39,829

NOTE 15 Shareholders' Equity

At December 31, 2022 and 2021, 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, 2022 and 2021. The Company had 31 million shares reserved for future issuances, primarily under its stock incentive plans at December 31, 2022.

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

(Dollars in Millions)	2022				2021			
	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 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	20,000	500	14	486
Series M	30,000	750	21	729	30,000	750	21	729
Series N	60,000	1,500	8	1,492	60,000	1,500	8	1,492
Series O	18,000	450	13	437	—	—	—	—
Total preferred stock ^(a)	243,510	\$7,026	\$218	\$6,808	225,510	\$6,576	\$205	\$6,371

(a) The par value of all shares issued and outstanding at December 31, 2022 and 2021, was \$1.00 per share.

During 2022, the Company issued depositary shares representing an ownership interest in 18,000 shares of Series O Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series O Preferred Stock"). The Series O 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 4.50 percent. The Series O Preferred Stock is redeemable at the Company's option, in whole or in part, on or after April 15, 2027. The Series O 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 O Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2021, the Company issued depositary shares representing an ownership interest in 60,000 shares of Series N Fixed Rate Reset Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series N Preferred Stock"). The Series N 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 3.70 percent from the date of issuance to, but excluding, January 15, 2027, and thereafter will accrue and be payable quarterly at a floating rate per annum equal to the five-year treasury rate plus 2.541 percent. The Series N Preferred Stock is redeemable at the Company's option, in whole or in part, on or after January 15, 2027. The Series N Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to January 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 N Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2021, the Company issued depositary shares representing an ownership interest in 30,000 shares of Series M Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series M Preferred Stock"). The Series M 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 4.00 percent. The Series M Preferred Stock is redeemable at the Company's option, in whole or in part, on or after April 15, 2026. The Series M Preferred Stock is redeemable at the Company's option, in whole, but not in part, prior to April 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 M Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

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 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 interest rate on these series of preferred stock will transition pursuant to the LIBOR Act to a rate based on SOFR after June 30, 2023.

During 2022, 2021 and 2020, the Company repurchased shares of its common stock under various authorizations approved by its Board of Directors. The Company suspended all common stock repurchases at the beginning of the third quarter of 2021 and continuing through the remainder of 2022, except for those done exclusively in connection with its stock-based compensation programs, due to its pending acquisition of MUB's core regional banking franchise. The Company does not expect to commence repurchasing its common stock again until its common equity tier 1 ratio approximates 9.0 percent, at which time the Company will assess its capital position relative to existing and proposed regulatory capital 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
2022	1	\$ 69
2021	28	1,556
2020	31	1,661

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
2022						
Balance at beginning of period	\$ 540	\$ (935)	\$ (85)	\$(1,426)	\$(37)	\$ (1,943)
Changes in unrealized gains (losses)	(13,656)	-	(75)	526	-	(13,205)
Transfer of securities from available-for-sale to held-to-maturity	4,413	(4,413)	-	-	-	-
Foreign currency translation adjustment ^(a)	-	-	-	-	(10)	(10)
Reclassification to earnings of realized (gains) losses	(20)	400	36	128	-	544
Applicable income taxes	2,345	1,015	10	(167)	4	3,207
Balance at end of period	<u>\$ (6,378)</u>	<u>\$(3,933)</u>	<u>\$(114)</u>	<u>\$ (939)</u>	<u>\$(43)</u>	<u>\$(11,407)</u>
2021						
Balance at beginning of period	\$ 2,417	\$ -	\$(189)	\$(1,842)	\$(64)	\$ 322
Changes in unrealized gains and losses	(3,698)	-	125	400	-	(3,173)
Transfer of securities from available-for-sale to held-to-maturity	1,289	(1,289)	-	-	-	-
Foreign currency translation adjustment ^(a)	-	-	-	-	35	35
Reclassification to earnings of realized gains and losses	(103)	36	14	157	-	104
Applicable income taxes	635	318	(35)	(141)	(8)	769
Balance at end of period	<u>\$ 540</u>	<u>\$ (935)</u>	<u>\$ (85)</u>	<u>\$(1,426)</u>	<u>\$(37)</u>	<u>\$ (1,943)</u>
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	<u>\$ 2,417</u>	<u>\$ -</u>	<u>\$(189)</u>	<u>\$(1,842)</u>	<u>\$(64)</u>	<u>\$ 322</u>

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

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

(Dollars in Millions)	Impact to Net Income			Affected Line Item in the Consolidated Statement of Income
	2022	2021	2020	
Unrealized gains (losses) on investment securities available-for-sale				
Realized gains (losses) on sale of investment securities	\$ 20	\$ 103	\$ 177	Securities gains (losses), net
	(5)	(26)	(45)	Applicable income taxes
	15	77	132	Net-of-tax
Unrealized gains (losses) on investment securities transferred from available-for-sale to held-to-maturity				
Amortization of unrealized gains (losses)	(400)	(36)	–	Interest income
	119	9	–	Applicable income taxes
	(281)	(27)	–	Net-of-tax
Unrealized gains (losses) on derivative hedges				
Realized gains (losses) on derivative hedges	(36)	(14)	(10)	Interest expense
	9	4	3	Applicable income taxes
	(27)	(10)	(7)	Net-of-tax
Unrealized gains (losses) on retirement plans				
Actuarial gains (losses) and prior service cost (credit) amortization	(128)	(157)	(125)	Other noninterest expense
	33	40	32	Applicable income taxes
	(95)	(117)	(93)	Net-of-tax
Total impact to net income	\$(388)	\$ (77)	\$ 32	

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. Beginning in 2022, the Company began to phase into its regulatory capital requirements the cumulative deferred impact of its 2020 adoption of the accounting guidance related to the impairment of financial instruments based on the current expected credit losses ("CECL") methodology plus 25 percent of its quarterly credit reserve increases over the past two years. This cumulative deferred impact will be phased into the Company's regulatory capital over the next three years, culminating with a fully phased in regulatory capital calculation beginning in 2025.

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 subsidiaries, at December 31, 2022 and 2021:

(Dollars in Millions)	U.S. Bancorp		U.S. Bank National Association		MUFG Union Bank National Association
	2022	2021	2022	2021	2022
Basel III standardized approach:					
Common equity tier 1 capital	\$ 41,560	\$ 41,701	\$ 46,681	\$ 45,000	\$10,888
Tier 1 capital	48,813	48,516	47,127	45,444	10,888
Total risk-based capital	59,015	56,250	56,736	53,125	11,565
Risk-weighted assets	496,500	418,571	436,764	412,979	58,641
Common equity tier 1 capital as a percent of risk-weighted assets	8.4%	10.0%	10.7%	10.9%	18.6%
Tier 1 capital as a percent of risk-weighted assets	9.8	11.6	10.8	11.0	18.6
Total risk-based capital as a percent of risk-weighted assets	11.9	13.4	13.0	12.9	19.7
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	7.9	8.6	8.1	8.2	10.9
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	6.4	6.9	6.5	6.6	10.1

	Minimum ^(a)	Well-Capitalized
Bank Regulatory Capital Requirements		
Common equity tier 1 capital as a percent of risk-weighted assets	7.0%	6.5%
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
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	3.0	3.0 ^(b)

(a) The minimum common equity tier 1 capital, tier 1 capital and total risk-based capital ratio requirements reflect a stress capital buffer requirement of 2.5 percent. 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.

(b) 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, 2022, 4,500 shares of the Series A Preferred Securities remain outstanding.

NOTE 16 Earnings Per Share

The components of earnings per share were:

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2022	2021	2020
Net income attributable to U.S. Bancorp	\$5,825	\$7,963	\$4,959
Preferred dividends	(296)	(303)	(304)
Impact of preferred stock call and redemption	–	(17) ^(a)	(13) ^(b)
Earnings allocated to participating stock awards	(28)	(38)	(21)
Net income applicable to U.S. Bancorp common shareholders	<u>\$5,501</u>	<u>\$7,605</u>	<u>\$4,621</u>
Average common shares outstanding	1,489	1,489	1,509
Net effect of the exercise and assumed purchase of stock awards	1	1	1
Average diluted common shares outstanding	<u>1,490</u>	<u>1,490</u>	<u>1,510</u>
Earnings per common share	\$ 3.69	\$ 5.11	\$ 3.06
Diluted earnings per common share	<u>\$ 3.69</u>	<u>\$ 5.10</u>	<u>\$ 3.06</u>

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

(b) Represents stock issuance costs originally recorded in preferred stock upon the 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, 2022 and 2020, to purchase 1 million and 2 million common shares, respectively, were not included in the computation of diluted earnings per share for the years ended December 31, 2022 and 2020, because they were antidilutive.

NOTE 17 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 \$211 million, \$213 million and \$192 million in 2022, 2021 and 2020, respectively.

Pension and Postretirement Welfare Plans The Company has tax qualified noncontributory defined benefit pension plans, nonqualified pension plans and postretirement welfare plans. As part of the transaction discussed in Note 3, the Company assumed the December 1, 2022 assets and obligations of four MUB retiree benefit plans based on the Company's share of the underlying participant obligations of the respective plans.

Pension Plans The funded tax qualified noncontributory defined benefit pension plans are the U.S. Bank Pension Plan, U.S. Bank Legacy Pension Plan and the U.S. Bank MUFG Pension Plan. 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/or years of service, as defined by the plan documents. Participants also receive an annual interest credit. Generally, employees become vested upon completing three years of vesting service. The U.S. Bank MUFG Pension Plan was closed to new participants effective December 1, 2022, and existing participants became vested effective January 1, 2023. The Company did not contribute to its qualified pension plans in 2022 and 2021 and does not expect to contribute to the plans in 2023.

The Company also maintains two non-qualified plans that are unfunded and provide 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. The U.S. Bank MUFG Supplemental Executive Retirement Plan was closed to new participants effective December 31, 2016. In 2023, the Company expects to contribute approximately \$26 million to its non-qualified pension plans, which equals the 2023 expected benefit payments.

Postretirement Welfare Plans In addition to providing pension benefits, the Company has funded and unfunded postretirement welfare plans available to certain eligible participants based on their hire or retirement date. The plans are closed to new participants. In 2023, the Company expects to contribute approximately \$4 million to its postretirement welfare plans.

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

(Dollars in Millions)	Pension Plans		Postretirement Welfare Plans	
	2022	2021	2022	2021
Change In Projected Benefit Obligation^(a)				
Benefit obligation at beginning of measurement period	\$ 8,030	\$ 7,805	\$ 34	\$ 38
Service cost	280	265	—	—
Interest cost	248	219	1	1
Participants' contributions	—	—	3	4
Plan amendments	2	—	—	—
Actuarial (gain) loss	(2,250)	(4)	(6)	(2)
Lump sum settlements	(76)	(71)	—	—
Benefit payments	(195)	(184)	(8)	(7)
Acquisitions (divestitures)	578	—	27	—
Benefit obligation at end of measurement period ^(b)	<u>\$ 6,617</u>	<u>\$ 8,030</u>	<u>\$ 51</u>	<u>\$ 34</u>
Change In Fair Value Of Plan Assets				
Fair value at beginning of measurement period	\$ 8,113	\$ 7,498	\$ —	\$ —
Actual return on plan assets	(1,245)	844	(1)	—
Employer contributions	28	26	5	3
Participants' contributions	—	—	4	4
Lump sum settlements	(76)	(71)	—	—
Benefit payments	(195)	(184)	(8)	(7)
Acquisitions (divestitures)	750	—	42	—
Fair value at end of measurement period	<u>\$ 7,375</u>	<u>\$ 8,113</u>	<u>\$ 42</u>	<u>\$ —</u>
Funded (Unfunded) Status	<u>\$ 758</u>	<u>\$ 83</u>	<u>\$ (9)</u>	<u>\$(34)</u>
Components Of The Consolidated Balance Sheet				
Noncurrent benefit asset	\$ 1,286	\$ 776	\$ 15	\$ —
Current benefit liability	(25)	(26)	(4)	(5)
Noncurrent benefit liability	(503)	(667)	(20)	(29)
Recognized amount	<u>\$ 758</u>	<u>\$ 83</u>	<u>\$ (9)</u>	<u>\$(34)</u>
Accumulated Other Comprehensive Income (Loss), Pretax				
Net actuarial (loss) gain	\$(1,326)	\$(1,989)	\$ 57	\$ 58
Net prior service credit (cost)	12	16	5	8
Recognized amount	<u>\$(1,314)</u>	<u>\$(1,973)</u>	<u>\$ 62</u>	<u>\$ 66</u>

(a) The decrease in the projected benefit obligation for 2022 was primarily due to a higher discount rate partially offset by the acquired MUB benefit obligations, and the increase for 2021 was primarily due to demographic experience partially offset by a higher discount rate.

(b) At December 31, 2022 and 2021, the accumulated benefit obligation for all pension plans was \$5.0 billion and \$7.3 billion, respectively.

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

(Dollars in Millions)	Pension Plans		Postretirement Welfare Plans	
	2022	2021	2022	2021
Plans with Projected Benefit Obligations in Excess of Plan Assets				
Projected benefit obligation	\$528	\$692	\$ —	\$ —
Fair value of plan assets	—	—	—	—
Plans with Accumulated Benefit Obligations in Excess of Plan Assets				
Accumulated benefit obligation	\$487	\$631	\$24	\$34
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:

(Dollars in Millions)	Pension Plans			Postretirement Welfare Plans		
	2022	2021	2020	2022	2021	2020
Components Of Net Periodic Benefit Cost						
Service cost	\$ 280	\$ 265	\$ 235	\$ –	\$ –	\$ –
Interest cost	248	219	235	1	1	1
Expected return on plan assets	(481)	(450)	(403)	–	–	(3)
Prior service cost (credit) amortization	(2)	(2)	–	(3)	(3)	(3)
Actuarial loss (gain) amortization	140	169	134	(7)	(7)	(6)
Net periodic benefit cost	<u>\$ 185</u>	<u>\$ 201</u>	<u>\$ 201</u>	<u>\$(9)</u>	<u>\$(9)</u>	<u>\$(11)</u>
Other Changes In Plan Assets And Benefit Obligations Recognized In Other Comprehensive Income (Loss)						
Net actuarial gain (loss) arising during the year	\$ 523	\$ 398	\$(420)	\$ 5	\$ 2	\$ 1
Net actuarial loss (gain) amortized during the year	140	169	134	(7)	(7)	(6)
Net prior service (cost) credit arising during the year	(2)	–	18	–	–	–
Net prior service cost (credit) amortized during the year	(2)	(2)	–	(3)	(3)	(3)
Total recognized in other comprehensive income (loss)	<u>\$ 659</u>	<u>\$ 565</u>	<u>\$(268)</u>	<u>\$(5)</u>	<u>\$(8)</u>	<u>\$ (8)</u>
Total recognized in net periodic benefit cost and other comprehensive income (loss)	<u>\$ 474</u>	<u>\$ 364</u>	<u>\$(469)</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 3</u>

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

(Dollars in Millions)	Pension Plans		Postretirement Welfare Plans	
	2022	2021	2022	2021
Discount rate	5.55%	3.00%	5.43%	2.37%
Cash balance interest crediting rate	3.36	3.00	*	*
Rate of compensation increase ^(a)	4.13	3.56	*	*
Health care cost trend rate ^(b)				
Prior to age 65			6.50%	5.75%
After age 65			6.50%	5.75%

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

(b) The 2022 pre-65 and post-65 rates are both assumed to decrease gradually to 5.00 percent by 2029 and remain at this level thereafter, and the 2021 pre-65 and post-65 rates were 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:

(Dollars in Millions)	Pension Plans			Postretirement Welfare Plans		
	2022	2021	2020	2022	2021	2020
Discount rate	3.00%	2.75%	3.40%	2.37%	2.37%	2.80%
Cash balance interest crediting rate	3.00	3.00	3.00	*	*	*
Expected return on plan assets ^(a)	6.50	6.50	7.25	6.50	*	3.50
Rate of compensation increase ^(b)	3.56	3.56	3.56	*	*	*
Health care cost trend rate ^(c)						
Prior to age 65				5.75%	5.75%	6.25%
After age 65				5.75	5.75	6.25

(a) 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 LTROF information. The Company determines its expected long-term rates of return reflecting current economic conditions and plan assets.

(b) Determined on an active liability weighted basis.

(c) The 2022, 2021 and 2020 pre-65 and post-65 rates were 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 Company's Compensation and Human Resources Committee has determined that a target asset allocation of 35 percent long duration bonds, 30 percent global equities, 10 percent real assets, 10 percent private equity funds, 5 percent domestic mid-small cap equities, 5 percent emerging markets equities, and 5 percent hedge funds is appropriate.

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

(Dollars in Millions)	Qualified Pension Plans								Postretirement Welfare Plans			
	2022				2021				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 202	\$ –	\$–	\$ 202	\$ 43	\$ –	\$–	\$ 43	\$ 7	\$–	\$–	\$ 7
Debt securities	961	855	–	1,816	1,022	1,096	–	2,118	5	4	–	9
Mutual funds												
Debt securities	–	382	–	382	–	409	–	409	–	2	–	2
Emerging markets equity securities	–	156	–	156	–	188	–	188	–	1	–	1
Other	–	–	6	6	–	–	4	4	–	–	–	–
	<u>\$1,163</u>	<u>\$1,393</u>	<u>\$6</u>	<u>2,562</u>	<u>\$1,065</u>	<u>\$1,693</u>	<u>\$4</u>	<u>2,762</u>	<u>\$12</u>	<u>\$7</u>	<u>\$–</u>	<u>19</u>
Plan investment assets not classified in fair value hierarchy ^(a) :												
Collective investment funds												
Domestic equity securities				1,494				1,958				7
Mid-small cap equity securities ^(b)				313				433				2
International equity securities				620				867				3
Domestic real estate securities				907				829				4
Hedge funds ^(c)				451				450				2
Private equity funds ^(d)				1,028				814				5
Total plan investment assets at fair value				<u>\$7,375</u>				<u>\$8,113</u>				<u>\$42</u>

(a) 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.

(b) At December 31, 2022 and 2021, securities included \$315 million and \$433 million in domestic equities, respectively.

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

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

At December 31, 2022 and 2021 plan assets included an asset management arrangement with a related party totaling \$87.8 million and \$55.3 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 22 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 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:

(Dollars in Millions)	2022	2021	2020
	Other	Other	Other
Balance at beginning of period	\$4	\$6	\$3
Unrealized gains (losses) relating to assets still held at end of year	2	(2)	3
Purchases, sales, and settlements, net	—	—	—
Balance at end of period	\$6	\$4	\$6

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 Plans ^(a)
2023	\$ 337	\$ 5
2024	332	5
2025	387	5
2026	394	5
2027	409	5
2028-2032	2,359	19

(a) Net of expected retiree contributions.

NOTE 18 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, options to buy the Company's common stock, or long term cash incentives, based on the conversion terms of the various merger agreements. At December 31, 2022, there were 20 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)
2022				
Number outstanding at beginning of period	3,890,131	\$42.58		
Exercised	(624,729)	32.87		
Cancelled ^(a)	(12,312)	50.97		
Number outstanding at end of period ^(b)	3,253,090	\$44.42	2.7	\$ -
Exercisable at end of period	3,253,090	\$44.42	2.7	\$ -
2021				
Number outstanding at beginning of period	5,180,391	\$40.38		
Exercised	(1,281,646)	33.66		
Cancelled ^(a)	(8,614)	48.20		
Number outstanding at end of period ^(b)	3,890,131	\$42.58	3.3	\$53
Exercisable at end of period	3,890,131	\$42.58	3.3	\$53
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

Note: The Company did not grant any stock option awards during 2022, 2021, and 2020.

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

(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)	2022	2021	2020
Fair value of options vested	\$ -	\$ 3	\$ 7
Intrinsic value of options exercised	15	27	11
Cash received from options exercised	21	43	14
Tax benefit realized from options exercised	4	7	3

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

Additional information regarding stock options outstanding as of December 31, 2022, is as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$30.01—\$35.00	141,571	.1	33.95	141,571	33.95
\$35.01—\$40.00	1,019,379	3.1	39.49	1,019,379	39.49
\$40.01—\$45.00	1,242,665	1.7	42.44	1,242,665	42.44
\$45.01—\$50.00	—	—	—	—	—
\$50.01—\$55.01	849,475	4.1	54.96	849,475	54.96
	3,253,090	2.7	\$44.42	3,253,090	\$44.42

Restricted Stock and Unit Awards

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

Year Ended December 31	2022		2021		2020	
	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						
Granted	6,812,753	\$51.04	6,343,313	\$51.38	6,606,833	\$48.99
Vested	4,109,793	55.62	4,512,995	52.54	3,552,923	53.90
Cancelled	(3,690,666)	52.88	(3,793,978)	53.27	(3,534,770)	49.28
	(351,054)	54.95	(249,577)	52.83	(281,673)	53.51
Outstanding at end of period	6,880,826	\$52.59	6,812,753	\$51.04	6,343,313	\$51.38

The total fair value of shares vested was \$198 million, \$191 million and \$182 million for the years ended December 31, 2022, 2021 and 2020, respectively. Stock-based compensation expense was \$202 million, \$207 million and \$189 million for the years ended December 31, 2022, 2021 and 2020, respectively. On an after-tax basis, stock-based compensation was \$152 million, \$155 million and \$142 million for the years ended

December 31, 2022, 2021 and 2020, respectively. As of December 31, 2022, there was \$158 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 1.8 years as compensation expense.

NOTE 19 Income Taxes

The components of income tax expense were:

Year Ended December 31 (Dollars in Millions)	2022	2021	2020
Federal			
Current	\$1,366	\$1,203	\$1,146
Deferred	(108)	469	(291)
Federal income tax	1,258	1,672	855
State			
Current	401	398	355
Deferred	(196)	111	(144)
State income tax	205	509	211
Total income tax provision	\$1,463	\$2,181	\$1,066

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)	2022	2021	2020
Tax at statutory rate	\$1,533	\$2,135	\$1,271
State income tax, at statutory rates, net of federal tax benefit	305	439	240
Tax effect of			
Tax credits and benefits, net of related expenses	(273)	(331)	(370)
Tax-exempt income	(121)	(114)	(117)
Revaluation of tax related assets and liabilities ^(a)	(79)	—	—
Nondeductible legal and regulatory expenses	37	24	29
Other items	61	28	13
Applicable income taxes	\$1,463	\$2,181	\$1,066

(a) The 2022 acquisition of MUB resulted in an increase in the Company's state effective tax rate, requiring the Company to revalue its state deferred tax assets and liabilities. As a result of this revaluation, the Company recorded an estimated net tax benefit of \$79 million during 2022.

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 through December 31, 2020 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)	2022	2021	2020
Balance at beginning of period	\$487	\$474	\$432
Additions for tax positions taken in prior years	35	14	62
Additions for tax positions taken in the current year	3	7	6
Exam resolutions	(8)	(1)	(8)
Statute expirations	(4)	(7)	(18)
Balance at end of period	\$513	\$487	\$474

The total amount of uncertain tax positions that, if recognized, would impact the effective income tax rate as of December 31, 2022, 2021 and 2020, were \$294 million, \$285 million and \$280 million, respectively. The Company classifies interest and penalties related to uncertain tax positions as a component of income tax expense. At December 31, 2022, the Company's

uncertain tax position balance included \$52 million of accrued interest and penalties. During the years ended December 31, 2022, 2021 and 2020 the Company recorded approximately \$7 million, \$5 million and \$5 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)	2022	2021
Deferred Tax Assets		
Securities available-for-sale and financial instruments	\$ 3,992	\$ 163
Federal, state and foreign net operating loss, credit carryforwards and other carryforwards	2,677	2,331
Allowance for credit losses	1,980	1,561
Loans	1,287	—
Accrued expenses	618	568
Obligation for operating leases	368	281
Partnerships and other investment assets	112	—
Stock compensation	81	76
Pension and postretirement benefits	—	8
Other deferred tax assets, net	501	451
Gross deferred tax assets	11,616	5,439
Deferred Tax Liabilities		
Leasing activities	(1,813)	(2,263)
Goodwill and other intangible assets	(1,575)	(845)
Mortgage servicing rights	(815)	(593)
Right of use operating leases	(325)	(246)
Pension and postretirement benefits	(172)	—
Fixed assets	(125)	(238)
Loans	—	(85)
Partnerships and other investment assets	—	(8)
Other deferred tax liabilities, net	(234)	(127)
Gross deferred tax liabilities	(5,059)	(4,405)
Valuation allowance	(263)	(249)
Net Deferred Tax Asset	\$ 6,294	\$ 785

The Company has approximately \$2.8 billion of federal, state and foreign net operating loss carryforwards which expire at various times beginning in 2023. 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 \$1.7 billion of federal credit carryforwards which expire at various times through 2042 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, 2022, 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 20 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 loans and 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, 2022, the Company had \$114 million (net-of-tax) of realized and unrealized losses on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with \$85 million (net-of-tax) of realized and unrealized losses at December 31, 2021. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the

next 12 months is a loss of \$52 million (net-of-tax). All cash flow hedges were highly effective for the twelve months ended December 31, 2022. There were no derivatives held as cash flow hedges at December 31, 2021.

Net Investment Hedges The Company uses forward commitments to sell specified amounts of certain foreign currencies, and non-derivative debt instruments, to hedge the volatility of its net investment in foreign operations driven by fluctuations in foreign currency exchange rates. The carrying amount of non-derivative debt instruments designated as net investment hedges was \$1.3 billion at December 31, 2022 and December 31, 2021.

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 mortgage loans held for sale ("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 23 for further information on these swap agreements. The Company may use credit derivatives to economically hedge credit risk.

The following table summarizes the asset and liability management derivative positions of the Company at December 31:

(Dollars in Millions)	2022			2021		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	\$17,400	\$ -	\$ 9	\$ 12,350	\$ -	\$ -
Pay fixed/receive floating swaps	5,542	-	-	16,650	-	-
Cash flow hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	14,300	-	-	-	-	-
Net investment hedges						
Foreign exchange forward contracts	778	-	-	793	-	4
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	3,546	10	18	9,322	10	16
Sell	7,522	20	38	29,348	25	27
Options						
Purchased	11,434	346	-	18,570	256	-
Written	7,849	7	148	9,662	52	231
Receive fixed/pay floating swaps	9,215	-	3	9,653	-	-
Pay fixed/receive floating swaps	9,616	-	-	7,033	-	-
Foreign exchange forward contracts	962	2	6	735	2	6
Equity contracts	361	-	10	209	5	-
Credit contracts	330	-	-	-	-	-
Other ^(a)	1,908	11	190	1,792	-	125
Total	\$90,763	\$396	\$422	\$116,117	\$350	\$409

(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 and fair value of \$1.8 billion and \$190 million at December 31, 2022, respectively, compared to \$1.8 billion and \$125 million at December 31, 2021, respectively. In addition, includes short-term underwriting purchase and sale commitments with total notional values of \$13 million at December 31, 2022, and \$8 million at December 31, 2021.

The following table summarizes the customer-related derivative positions of the Company at December 31:

(Dollars in Millions)	2022			2021		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 301,690	\$ 309	\$ 5,689	\$178,701	\$2,007	\$ 438
Pay fixed/receive floating swaps	316,133	2,323	206	174,176	134	670
Other ^(a)	40,261	3	16	16,267	1	2
Options						
Purchased	103,489	1,794	5	89,679	194	36
Written	99,923	6	1,779	85,211	36	176
Futures						
Buy	3,623	-	4	3,607	-	-
Sell	2,376	8	-	3,941	-	-
Foreign exchange rate contracts						
Forwards, spots and swaps	134,666	3,010	2,548	89,321	1,145	1,143
Options						
Purchased	954	22	-	805	19	-
Written	954	-	22	805	-	19
Credit contracts	10,765	1	8	9,331	1	5
Total	\$1,014,834	\$7,476	\$10,277	\$651,844	\$3,537	\$2,489

(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:

(Dollars in Millions)	Gains (Losses) Recognized in Other Comprehensive Income (Loss)			Gains (Losses) Reclassified from Other Comprehensive Income (Loss) into Earnings		
	2022	2021	2020	2022	2021	2020
Asset and Liability Management Positions						
Cash flow hedges						
Interest rate contracts	\$(56)	\$94	\$(145)	\$(27)	\$(10)	\$(7)
Net investment hedges						
Foreign exchange forward contracts	42	19	(21)	–	–	–
Non-derivative debt instruments	59	84	(90)	–	–	–

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:

(Dollars in Millions)	Interest Income			Interest Expense		
	2022	2021	2020	2022	2021	2020
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						
	\$17,945	\$13,487	\$14,840	\$3,217	\$993	\$2,015
Asset and Liability Management Positions						
Fair value hedges						
Interest rate contract derivatives	138	17	1	482	232	(134)
Hedged items	(139)	(19)	(1)	(486)	(232)	134
Cash flow hedges						
Interest rate contract derivatives	–	–	–	–	14	10

Note: The Company does not exclude components from effectiveness testing for fair value and cash flow hedges. The Company reclassified losses of \$36 million, \$53 million and \$41 million into earnings during the years ended December 31, 2022, 2021 and 2020, respectively, as a result of realized cash flows on discontinued cash flow hedges. No amounts were reclassified into earnings on discontinued cash flow hedges because it is probable the original hedged forecasted cash flows will not occur.

The table below shows cumulative hedging adjustments and the carrying amount of assets and liabilities designated in fair value hedges at December 31:

(Dollars in Millions)	Carrying Amount of the Hedged Assets and Liabilities		Cumulative Hedging Adjustment ^(a)	
	2022	2021	2022	2021
Line Item in the Consolidated Balance Sheet				
Available-for-sale investment securities	\$ 4,937	\$16,445	\$(552)	\$(26)
Long-term debt	17,190	12,278	(142)	585

(a) The cumulative hedging adjustment related to discontinued hedging relationships on available-for-sale investment securities and long-term debt was \$(392) million and \$399 million, respectively, at December 31, 2022, compared with \$(6) million and \$640 million at December 31, 2021, 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	2022	2021	2020
Asset and Liability Management				
Positions				
Other economic hedges				
Interest rate contracts				
Futures and forwards	Mortgage banking revenue	\$ 407	\$ 511	\$ 82
Purchased and written options	Mortgage banking revenue	1	527	1,527
Swaps	Mortgage banking revenue/ Other noninterest income	(1,010)	(197)	598
Foreign exchange forward contracts	Other noninterest income	(1)	1	3
Equity contracts	Compensation expense	(8)	7	3
Other	Other noninterest income	(181)	5	(70)
Customer-Related Positions				
Interest rate contracts				
Swaps	Commercial products revenue	98	110	135
Purchased and written options	Commercial products revenue	20	(5)	(8)
Futures	Commercial products revenue	30	3	(18)
Foreign exchange rate contracts				
Forwards, spots and swaps	Commercial products revenue	100	93	78
Purchased and written options	Commercial products revenue	1	1	1
Credit contracts	Commercial products revenue-	20	(7)	(32)

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, 2022, was \$2.6 billion. At December 31, 2022, the Company had \$2.1 billion of cash posted as collateral against this net liability position.

NOTE 21 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 \$1.1 trillion total notional amount of derivative positions at December 31, 2022, \$526.3 billion related to bilateral over-the-counter trades, \$571.5 billion related to those centrally cleared through clearinghouses and \$7.8 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 20 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, 2022					
Repurchase agreements					
U.S. Treasury and agencies	\$ 147	\$-	\$-	\$-	\$ 147
Residential agency mortgage-backed securities	846	-	-	-	846
Corporate debt securities	439	-	-	-	439
Total repurchase agreements	1,432	-	-	-	1,432
Securities loaned					
Corporate debt securities	120	-	-	-	120
Total securities loaned	120	-	-	-	120
Gross amount of recognized liabilities	<u>\$1,552</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,552</u>
December 31, 2021					
Repurchase agreements					
U.S. Treasury and agencies	\$ 378	\$-	\$-	\$-	\$ 378
Residential agency mortgage-backed securities	551	-	-	-	551
Corporate debt securities	646	-	-	-	646
Total repurchase agreements	1,575	-	-	-	1,575
Securities loaned					
Corporate debt securities	169	-	-	-	169
Total securities loaned	169	-	-	-	169
Gross amount of recognized liabilities	<u>\$1,744</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,744</u>

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		Net Amount
				Financial Instruments ^(b)	Collateral Received ^(c)	
December 31, 2022						
Derivative assets ^(d)	\$7,852	\$(5,427)	\$2,425	\$(231)	\$ (80)	\$2,114
Reverse repurchase agreements	107	–	107	(102)	(5)	–
Securities borrowed	1,606	–	1,606	–	(1,548)	58
Total	\$9,565	\$(5,427)	\$4,138	\$(333)	\$(1,633)	\$2,172
December 31, 2021						
Derivative assets ^(d)	\$3,830	\$(1,609)	\$2,221	\$(142)	\$ (106)	\$1,973
Reverse repurchase agreements	359	–	359	(249)	(110)	–
Securities borrowed	1,868	–	1,868	–	(1,818)	50
Total	\$6,057	\$(1,609)	\$4,448	\$(391)	\$(2,034)	\$2,023

(a) Includes \$3.0 billion and \$528 million of cash collateral related payables that were netted against derivative assets at December 31, 2022 and 2021, 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 \$20 million and \$57 million at December 31, 2022 and 2021, respectively, of derivative assets not subject to netting arrangements.

(Dollars in Millions)	Gross Recognized Liabilities	Gross Amounts Offset on the Consolidated Balance Sheet ^(a)	Net Amounts Presented on the Consolidated Balance Sheet	Gross Amounts Not Offset on the Consolidated Balance Sheet		Net Amount
				Financial Instruments ^(b)	Collateral Pledged ^(c)	
December 31, 2022						
Derivative liabilities ^(d)	\$10,506	\$(4,551)	\$5,955	\$(231)	\$ –	\$5,724
Repurchase agreements	1,432	–	1,432	(102)	(1,325)	5
Securities loaned	120	–	120	–	(118)	2
Total	\$12,058	\$(4,551)	\$7,507	\$(333)	\$(1,443)	\$5,731
December 31, 2021						
Derivative liabilities ^(d)	\$ 2,761	\$(1,589)	\$1,172	\$(142)	\$ –	\$1,030
Repurchase agreements	1,575	–	1,575	(249)	(1,326)	–
Securities loaned	169	–	169	–	(167)	2
Total	\$ 4,505	\$(1,589)	\$2,916	\$(391)	\$(1,493)	\$1,032

(a) Includes \$2.1 billion and \$508 million of cash collateral related receivables that were netted against derivative liabilities at December 31, 2022 and 2021, 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 \$193 million and \$137 million at December 31, 2022 and 2021, respectively, of derivative liabilities not subject to netting arrangements.

NOTE 22 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. In addition, refer to Note 3 regarding the fair value of assets and liabilities acquired in the MUB acquisition.

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, 2022, 2021 and 2020, 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 loss of \$450 million, a net loss of \$145 million and a net gain of \$362 million for the years ended December 31, 2022, 2021 and 2020, 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 10 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 23 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, 2022:

	Minimum	Maximum	Weighted-Average ^(a)
Expected prepayment	5%	17%	8%
Option adjusted spread	5	11	6

(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 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, 2022:

	Minimum	Maximum	Weighted-Average ^(a)
Expected loan close rate	3%	100%	81%
Inherent MSR value (basis points per loan)	31	187	112

(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, 2022, 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, 1,867 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, 2022					
Available-for-sale securities					
U.S. Treasury and agencies	\$13,723	\$ 8,310	\$ -	\$ -	\$ 22,033
Mortgage-backed securities					
Residential agency	-	29,271	-	-	29,271
Commercial					
Agency	-	7,145	-	-	7,145
Non-agency	-	7	-	-	7
Asset-backed securities	-	4,323	-	-	4,323
Obligations of state and political subdivisions	-	10,124	1	-	10,125
Other	-	6	-	-	6
Total available-for-sale	13,723	59,186	1	-	72,910
Mortgage loans held for sale	-	1,849	-	-	1,849
Mortgage servicing rights	-	-	3,755	-	3,755
Derivative assets	9	6,608	1,255	(5,427)	2,445
Other assets	248	1,756	-	-	2,004
Total	\$13,980	\$ 69,399	\$5,011	\$(5,427)	\$ 82,963
Derivative liabilities	\$ 4	\$ 6,241	\$4,454	\$(4,551)	\$ 6,148
Short-term borrowings and other liabilities (a)	125	1,564	-	-	1,689
Total	\$ 129	\$ 7,805	\$4,454	\$(4,551)	\$ 7,837
December 31, 2021					
Available-for-sale securities					
U.S. Treasury and agencies	\$30,917	\$ 5,692	\$ -	\$ -	\$ 36,609
Mortgage-backed securities					
Residential agency	-	77,079	-	-	77,079
Commercial agency	-	8,485	-	-	8,485
Asset-backed securities	-	59	7	-	66
Obligations of state and political subdivisions	-	10,716	1	-	10,717
Other	-	7	-	-	7
Total available-for-sale	30,917	102,038	8	-	132,963
Mortgage loans held for sale	-	6,623	-	-	6,623
Mortgage servicing rights	-	-	2,953	-	2,953
Derivative assets	8	2,490	1,389	(1,609)	2,278
Other assets	278	1,921	-	-	2,199
Total	\$31,203	\$113,072	\$4,350	\$(1,609)	\$147,016
Derivative liabilities	\$ -	\$ 2,308	\$ 590	\$(1,589)	\$ 1,309
Short-term borrowings and other liabilities (a)	209	1,837	-	-	2,046
Total	\$ 209	\$ 4,145	\$ 590	\$(1,589)	\$ 3,355

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 \$104 million and \$79 million at December 31, 2022 and 2021, respectively. The Company has not recorded impairments or adjustments for observable price changes on these equity investments during 2022 and 2021, or on a cumulative basis.

(a) Primarily represents the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.

The following table presents the changes in fair value for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Principal			Transfers into Level 3	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at End of Period
						Payments	Issuances	Settlements			
2022											
Available-for-sale securities											
Asset-backed securities	\$ 7	\$ -	\$(3)	\$ -	\$(4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Obligations of state and political subdivisions	1	-	-	-	-	-	-	-	-	1	-
Total available-for-sale . . .	8	-	(3)	-	(4)	-	-	-	-	1	-
Mortgage servicing rights	2,953	311 ^(a)	-	156	(255)	-	590 ^(c)	-	-	3,755	311 ^(a)
Net derivative assets and liabilities	799	(5,940) ^(b)	-	716	(36)	-	11	1,251	-	(3,199)	(3,538) ^(d)
2021											
Available-for-sale securities											
Asset-backed securities	\$ 7	\$ -	\$ 1	\$ -	\$ -	\$(1)	\$ -	\$ -	\$ -	\$ 7	\$ 1
Obligations of state and political subdivisions	1	-	-	-	-	-	-	-	-	1	-
Total available-for-sale . . .	8	-	1	-	-	(1)	-	-	-	8	1
Mortgage servicing rights	2,210	(437) ^(a)	-	42	2	-	1,136 ^(c)	-	-	2,953	(437) ^(a)
Net derivative assets and liabilities	2,326	(924) ^(e)	-	337	(3)	-	-	(937)	-	799	(968) ^(f)
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 ^(g)	-	247	(3)	-	-	(1,650)	-	2,326	1,649 ^(h)

(a) Included in mortgage banking revenue.

(b) Approximately \$(141) million, \$(5.6) billion and \$(181) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

(c) Represents MSR's capitalized during the period.

(d) Approximately \$5 million, \$(3.4) billion and \$(181) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

(e) Approximately \$666 million, \$(1.6) billion and \$5 million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

(f) Approximately \$42 million, \$(1.0) billion and \$5 million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

(g) Approximately \$1.9 billion, \$1.1 billion and \$(70) million included in mortgage banking revenue, commercial products revenue and other noninterest income, respectively.

(h) Approximately \$247 million, \$1.5 billion and \$(70) 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:

(Dollars in Millions)	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans ^(a)	\$ -	\$ -	\$ 97	\$ 97	\$ -	\$ -	\$ 59	\$ 59
Other assets ^(b)	-	-	21	21	-	-	77	77

(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)	2022	2021	2020
Loans ^(a)	\$40	\$60	\$426
Other assets ^(b)	20	25	21

(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:

(Dollars in Millions)	2022			2021		
	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	\$1,849	\$1,848	\$1	\$6,623	\$6,453	\$170
Nonaccrual loans	1	1	–	1	1	–
Loans 90 days or more past due	1	1	–	2	2	–

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, 2022 and 2021. 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:

(Dollars in Millions)	Carrying Amount	2022 Fair Value				Total	Carrying Amount	2021 Fair Value				Total
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
Financial Assets												
Cash and due from banks	\$ 53,542	\$ 53,542	\$ –	\$ –	\$ 53,542	\$ 28,905	\$ 28,905	\$ –	\$ –	\$ 28,905		
Federal funds sold and securities purchased under resale agreements	356	–	356	–	356	359	–	359	–	359		
Investment securities held-to-maturity	88,740	1,293	76,581	–	77,874	41,858	–	41,812	–	41,812		
Loans held for sale ^(a)	351	–	–	351	351	1,152	–	–	1,152	1,152		
Loans	318,277	–	–	368,874	368,874	306,304	–	–	312,724	312,724		
Other ^(b)	2,962	–	2,224	738	2,962	1,521	–	630	891	1,521		
Financial Liabilities												
Time deposits	32,946	–	32,338	–	32,338	22,665	–	22,644	–	22,644		
Short-term borrowings ^(c)	29,527	–	29,145	–	29,145	9,750	–	9,646	–	9,646		
Long-term debt	39,829	–	37,622	–	37,622	32,125	–	32,547	–	32,547		
Other ^(d)	5,137	–	1,500	3,637	5,137	3,862	–	1,170	2,692	3,862		

(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 \$498 million and \$495 million at December 31, 2022 and 2021, respectively. The carrying value of other guarantees was \$241 million and \$245 million at December 31, 2022 and 2021, respectively.

NOTE 23 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 multidistrict 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, 2022, excluding those commitments considered derivatives, were as follows:

(Dollars in Millions)	Term		Total
	Less Than One Year	Greater Than One Year	
Commercial and commercial real estate loans	\$ 43,294	\$139,630	\$182,924
Corporate and purchasing card loans ^(a)	34,491	—	34,491
Residential mortgages	214	1	215
Retail credit card loans ^(a)	120,730	—	120,730
Other retail loans	15,012	27,641	42,653
Other	6,419	—	6,419

(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, 2022:

(Dollars in Millions)	Collateral Held	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	\$ —	\$ 19	\$ 10,813
Third party borrowing arrangements	—	—	7
Securities lending indemnifications	6,876	—	6,685
Asset sales	—	102	8,261
Merchant processing	818	118	134,611
Tender option bond program guarantee	1,508	—	1,501
Other	—	21	2,032

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, 2022, were approximately \$10.8 billion with a weighted-average term of approximately 19 months. The estimated fair value of standby letters of credit was approximately \$19 million at December 31, 2022.

The contract or notional amount of letters of credit at December 31, 2022, were as follows:

(Dollars in Millions)	Term		Total
	Less Than One Year	Greater Than One Year	
Standby	\$5,110	\$5,703	\$10,813
Commercial	460	172	632

Guarantees Guarantees are contingent commitments issued by the Company to customers or other third parties. The Company's guarantees primarily include parent guarantees related to subsidiaries' third party borrowing arrangements; third party performance guarantees inherent in the Company's business operations, such as indemnified securities lending programs and merchant charge-back guarantees; and indemnification or buy-back provisions related to certain asset sales. For certain guarantees, the Company has recorded a liability related to the potential obligation, or has access to collateral to support the guarantee or through the exercise of other recourse provisions can offset some or all of the maximum potential future payments made under these guarantees.

Third Party Borrowing Arrangements The Company provides guarantees to third parties as a part of certain subsidiaries' borrowing arrangements. The maximum potential future payments guaranteed by the Company under these arrangements were approximately \$7 million at December 31, 2022.

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 \$6.7 billion at December 31, 2022, and represent the fair value of the securities lent to third parties. At December 31, 2022, the Company held \$6.9 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 \$8.3 billion at December 31, 2022, 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, 2022, the Company had reserved \$85 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, 2022, the Company had reserved \$17 million for potential losses from representation and warranty obligations, compared with \$18 million at December 31, 2021. 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, 2022 and 2021, the Company had \$39 million and \$19 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 2022 this amount totaled approximately \$134.6 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, 2022, the value of airline tickets purchased to be delivered at a future date through card transactions processed by the Company was \$9.9 billion. The Company held collateral of \$572 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, 2022, the liability was \$100 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, 2022, the Company held \$196 million of merchant escrow deposits as collateral and had a recorded liability for potential losses of \$18 million.

Tender Option Bond Program Guarantee As discussed in Note 8, 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, 2022, the Company guaranteed \$1.5 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 \$1.5 billion of available-for-sale investment securities serving as collateral for this arrangement.

Other Guarantees and Commitments As of December 31, 2022, 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, 2022, 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, 2022, 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, 2022.

The Company has also made other financial performance guarantees and commitments primarily related to the operations of its subsidiaries. At December 31, 2022, the maximum potential future payments guaranteed or committed by the Company under these arrangements were approximately \$1.4 billion.

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 for losses arising out of the 2008 financial crisis. In the lawsuits brought against the Company, the investors and a monoline insurer allege that the Company's primary banking subsidiary, USBNA, as trustee caused them to incur substantial losses by failing to enforce loan repurchase obligations and failing to abide by appropriate standards of care after events of default allegedly occurred. The plaintiffs in these matters seek monetary damages in unspecified amounts and most also seek equitable relief.

Regulatory Matters The Company is continually subject to examinations, inquiries and investigations in areas of heightened regulatory scrutiny, such as compliance, risk management, third-party risk management and consumer protection. For example, as part of an industry-wide inquiry, the Company's broker-dealer and registered investment advisor subsidiaries received from the Securities and Exchange Commission a request for information concerning compliance with record retention requirements relating to electronic business communications. Also, the Consumer Financial Protection Bureau ("CFPB") has been investigating the Company's administration of unemployment insurance benefit prepaid debit cards during the pandemic timeframe and is considering a potential enforcement action. The Company is cooperating fully with all pending examinations,

NOTE 24 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-

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).

MUFG Union Bank Consent Order The Company acquired MUB on December 1, 2022. Prior to the acquisition, on September 20, 2021, MUB entered into a consent order with the Office of the Comptroller of the Currency (the "OCC") relating to deficiencies in MUB's technology and operational risk management (the "MUB Consent Order"). Under the MUB Consent Order, the OCC found MUB to be in noncompliance with the Interagency Guidelines Establishing Information Security Standards and to have engaged in unsafe and unsound practices regarding technology and operational risk management.

The OCC's conditional approval to merge MUB with and into USBNA (the "Bank Merger") requires USBNA to succeed to the terms and obligations of the MUB Consent Order and comply with the other conditions described therein. The Bank Merger is expected to occur in connection with the conversion of MUB customers and systems to the USBNA platform over Memorial Day weekend in 2023. The Company's losses, costs, expenses and damages relating to or resulting from the MUB Consent Order are indemnifiable by the seller, subject to the terms of the Share Purchase Agreement for the MUB acquisition.

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.

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 comprises consumer banking, small business banking and consumer lending. Products and services are delivered through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing, mobile devices, distributed mortgage loan officers, and intermediary relationships including auto dealerships, mortgage banks, and strategic business partners.

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 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, including merger and integration charges, are 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 2022, certain organization and methodology changes were made and, accordingly, 2021 results were restated and presented on a comparable basis. MUB related business activities were integrated into the applicable line of business results effective with the close of the acquisition by the Company.

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

(Dollars in Millions)	Corporate and Commercial Banking		Consumer and Business Banking		Wealth Management and Investment Services	
	2022	2021	2022	2021	2022	2021
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	\$ 3,468	\$ 2,853	\$ 6,904	\$ 6,085	\$ 1,624	\$ 1,002
Noninterest income	1,008	1,039	1,556	2,496	2,553	2,222
Total net revenue	4,476	3,892	8,460	8,581	4,177	3,224
Noninterest expense	1,872	1,741	5,824	5,575	2,417	2,094
Income (loss) before provision and income taxes	2,604	2,151	2,636	3,006	1,760	1,130
Provision for credit losses	149	65	228	(136)	9	7
Income (loss) before income taxes	2,455	2,086	2,408	3,142	1,751	1,123
Income taxes and taxable-equivalent adjustment	614	522	602	785	438	281
Net income (loss)	1,841	1,564	1,806	2,357	1,313	842
Net (income) loss attributable to noncontrolling interests	–	–	–	–	–	–
Net income (loss) attributable to U.S. Bancorp	\$ 1,841	\$ 1,564	\$ 1,806	\$ 2,357	\$ 1,313	\$ 842
Average Balance Sheet						
Loans	\$127,916	\$103,404	\$145,079	\$140,890	\$ 22,410	\$ 18,095
Other earning assets	4,532	4,537	3,117	8,093	273	242
Goodwill	1,915	1,715	3,249	3,429	1,720	1,628
Other intangible assets	57	5	3,785	2,761	308	84
Assets	143,370	115,423	160,713	161,385	26,036	21,303
Noninterest-bearing deposits	57,451	61,991	32,256	33,063	24,721	24,663
Interest-bearing deposits	97,169	71,711	167,938	157,592	73,461	76,000
Total deposits	154,620	133,702	200,194	190,655	98,182	100,663
Total U.S. Bancorp shareholders' equity	14,403	13,906	12,550	12,319	3,675	3,154

(Dollars in Millions)	Payment Services		Treasury and Corporate Support		Consolidated Company	
	2022	2021	2022	2021	2022	2021
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	\$ 2,498	\$ 2,457	\$ 352	\$ 203	\$ 14,846	\$ 12,600
Noninterest income	3,799 ^(a)	3,550 ^(a)	540	920	9,456 ^(b)	10,227 ^(b)
Total net revenue	6,297	6,007	892	1,123	24,302	22,827
Noninterest expense	3,551	3,386	1,242	932	14,906	13,728
Income (loss) before provision and income taxes	2,746	2,621	(350)	191	9,396	9,099
Provision for credit losses	980	349	611	(1,458)	1,977	(1,173)
Income (loss) before income taxes	1,766	2,272	(961)	1,649	7,419	10,272
Income taxes and taxable-equivalent adjustment	442	568	(515)	131	1,581	2,287
Net income (loss)	1,324	1,704	(446)	1,518	5,838	7,985
Net (income) loss attributable to noncontrolling interests	–	–	(13)	(22)	(13)	(22)
Net income (loss) attributable to U.S. Bancorp	\$ 1,324	\$ 1,704	\$ (459)	\$ 1,496	\$ 5,825	\$ 7,963
Average Balance Sheet						
Loans	\$ 34,627	\$ 30,856	\$ 3,541	\$ 3,720	\$333,573	\$296,965
Other earning assets	634	93	203,214	196,211	211,770	209,176
Goodwill	3,305	3,184	–	–	10,189	9,956
Other intangible assets	423	507	4	–	4,577	3,357
Assets	41,109	36,549	220,921	221,872	592,149	556,532
Noninterest-bearing deposits	3,410	4,861	2,556	2,626	120,394	127,204
Interest-bearing deposits	162	145	3,260	1,629	341,990	307,077
Total deposits	3,572	5,006	5,816	4,255	462,384	434,281
Total U.S. Bancorp shareholders' equity	8,235	7,642	11,553	16,789	50,416	53,810

(a) Presented net of related rewards and rebate costs and certain partner payments of \$2.9 billion and \$2.5 billion for 2022 and 2021, respectively.

(b) Includes revenue generated from certain contracts with customers of \$8.0 billion and \$7.5 billion for 2022 and 2021, respectively.

NOTE 25 U.S. Bancorp (Parent Company)**Condensed Balance Sheet**

At December 31 (Dollars in Millions)

2022

2021

Assets

Due from banks, principally interest-bearing	\$ 5,288	\$ 8,369
Available-for-sale investment securities	672	1,209
Investments in bank subsidiaries	59,202	51,432
Investments in nonbank subsidiaries	3,575	3,632
Advances to bank subsidiaries	9,100	9,600
Advances to nonbank subsidiaries	150	707
Other assets	1,101	898
Total assets	<u>\$79,088</u>	<u>\$75,847</u>

Liabilities and Shareholders' Equity

Long-term debt	\$26,983	\$18,902
Other liabilities	1,339	2,027
Shareholders' equity	50,766	54,918
Total liabilities and shareholders' equity	<u>\$79,088</u>	<u>\$75,847</u>

Condensed Income Statement

Year Ended December 31 (Dollars in Millions)

2022

2021

2020

Income

Dividends from bank subsidiaries	\$4,750	\$7,000	\$1,500
Dividends from nonbank subsidiaries	105	2	24
Interest from subsidiaries	119	112	172
Other income	31	46	85
Total income	<u>5,005</u>	<u>7,160</u>	<u>1,781</u>

Expense

Interest expense	505	348	433
Other expense	162	154	140
Total expense	<u>667</u>	<u>502</u>	<u>573</u>
Income before income taxes and equity in undistributed income of subsidiaries	4,338	6,658	1,208
Applicable income taxes	(138)	(53)	(78)
Income of parent company	4,476	6,711	1,286
Equity in undistributed income of subsidiaries	1,349	1,252	3,673
Net income attributable to U.S. Bancorp	<u>\$5,825</u>	<u>\$7,963</u>	<u>\$4,959</u>

Condensed Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)

	2022	2021	2020
Operating Activities			
Net income attributable to U.S. Bancorp	\$ 5,825	\$ 7,963	\$ 4,959
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(1,349)	(1,252)	(3,673)
Other, net	(398)	(85)	907
Net cash provided by operating activities	4,078	6,626	2,193
Investing Activities			
Proceeds from sales and maturities of investment securities	423	200	258
Investments in subsidiaries	(5,030)	-	-
Net decrease in short-term advances to subsidiaries	557	411	347
Long-term advances to subsidiaries	(2,000)	(7,000)	-
Principal collected on long-term advances to subsidiaries	2,500	1,250	-
Cash paid for acquisition	(5,500)	-	-
Other, net	(173)	(269)	379
Net cash provided by (used in) investing activities	(9,223)	(5,408)	984
Financing Activities			
Net decrease in short-term borrowings	-	-	(8)
Proceeds from issuance of long-term debt	8,150	1,300	2,750
Principal payments or redemption of long-term debt	(2,300)	(3,000)	(1,200)
Proceeds from issuance of preferred stock	437	2,221	486
Proceeds from issuance of common stock	21	43	15
Repurchase of preferred stock	(1,100)	(1,250)	-
Repurchase of common stock	(69)	(1,555)	(1,672)
Cash dividends paid on preferred stock	(299)	(308)	(300)
Cash dividends paid on common stock	(2,776)	(2,579)	(2,552)
Net cash provided by (used in) financing activities	2,064	(5,128)	(2,481)
Change in cash and due from banks	(3,081)	(3,910)	696
Cash and due from banks at beginning of year	8,369	12,279	11,583
Cash and due from banks at end of year	\$ 5,288	\$ 8,369	\$ 12,279

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 banks are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends by the Company's bank subsidiaries 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 26 Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2022 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 Daily Average Balance Sheet and Related Yields and Rates (a) (Unaudited)

Year Ended December 31 (Dollars in Millions)	2022			2021			2020		
	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates
Assets									
Investment securities	\$169,442	\$ 3,457	2.04%	\$154,702	\$ 2,434	1.57%	\$125,954	\$ 2,488	1.98%
Loans held for sale	3,829	201	5.26	8,024	232	2.89	6,985	216	3.10
Loans (b)									
Commercial	123,797	4,340	3.51	102,855	2,684	2.61	113,967	3,192	2.80
Commercial real estate	41,098	1,655	4.03	38,781	1,219	3.14	40,548	1,457	3.59
Residential mortgages	84,749	2,775	3.27	74,629	2,477	3.32	73,667	2,666	3.62
Credit card	23,478	2,583	11.00	21,645	2,278	10.52	22,332	2,392	10.71
Other retail	60,451	2,292	3.79	59,055	2,126	3.60	56,755	2,352	4.14
Total loans	333,573	13,645	4.09	296,965	10,784	3.63	307,269	12,059	3.92
Interest-bearing deposits with banks	31,425	559	1.78	39,914	42	.10	34,497	59	.17
Other earning assets	7,074	204	2.89	6,536	101	1.55	6,697	119	1.78
Total earning assets	545,343	18,066	3.31	506,141	13,593	2.69	481,402	14,941	3.10
Allowance for loan losses	(5,880)			(6,326)			(6,858)		
Unrealized gain (loss) on investment securities	(6,914)			1,174			2,901		
Other assets	59,600			55,543			53,762		
Total assets	<u>\$592,149</u>			<u>\$556,532</u>			<u>\$531,207</u>		
Liabilities and Shareholders' Equity									
Noninterest-bearing deposits	\$120,394			\$127,204			\$ 98,539		
Interest-bearing deposits									
Interest checking	117,471	277	.24	103,198	24	.02	84,276	65	.08
Money market savings	126,221	1,220	.97	117,093	199	.17	125,786	528	.42
Savings accounts	67,722	10	.02	62,294	7	.01	52,142	46	.09
Time deposits	30,576	365	1.19	24,492	90	.37	37,872	311	.82
Total interest-bearing deposits	341,990	1,872	.55	307,077	320	.10	300,076	950	.32
Short-term borrowings									
Federal funds purchased	687	8	1.12	1,507	2	.10	1,660	6	.35
Securities sold under agreements to repurchase	2,037	20	1.00	1,790	2	.13	1,686	8	.50
Commercial paper	7,186	69	.96	7,228	1	.01	8,141	21	.26
Other short-term borrowings	15,830	471	2.98	4,249	65	1.54	7,695	109	1.41
Total short-term borrowings	25,740	568	2.21	14,774	70	.47	19,182	144	.75
Long-term debt	33,114	780	2.35	36,682	603	1.64	44,040	924	2.10
Total interest-bearing liabilities	400,844	3,220	.80	358,533	993	.28	363,298	2,018	.56
Other liabilities	20,029			16,353			16,494		
Shareholders' equity									
Preferred equity	6,761			6,255			6,042		
Common equity	43,655			47,555			46,204		
Total U.S. Bancorp shareholders' equity	50,416			53,810			52,246		
Noncontrolling interests	466			632			630		
Total equity	50,882			54,442			52,876		
Total liabilities and equity	<u>\$592,149</u>			<u>\$556,532</u>			<u>\$531,207</u>		
Net interest income		<u>\$14,846</u>			<u>\$12,600</u>			<u>\$12,923</u>	
Gross interest margin			<u>2.51%</u>			<u>2.41%</u>			<u>2.54%</u>
Gross interest margin without taxable-equivalent increments			<u>2.49%</u>			<u>2.39%</u>			<u>2.52%</u>
Percent of Earning Assets									
Interest income			3.31%			2.69%			3.10%
Interest expense			.59			.20			.42
Net interest margin			<u>2.72%</u>			<u>2.49%</u>			<u>2.68%</u>
Net interest margin without taxable-equivalent increments			2.70%			2.47%			2.66%

* Not meaningful

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

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

U.S. Bancorp

Supplemental Financial Data (Unaudited)

Earnings Per Common Share Summary	2022	2021	2020
Earnings per common share	\$ 3.69	\$ 5.11	\$ 3.06
Diluted earnings per common share	3.69	5.10	3.06
Dividends declared per common share	1.88	1.76	1.68
Other Statistics (Dollars and Shares in Millions)			
Common shares outstanding (a)	1,531	1,484	1,507
Average common shares outstanding and common stock equivalents			
Earnings per common share	1,489	1,489	1,509
Diluted earnings per common share	1,490	1,490	1,510
Number of shareholders (b)	30,280	31,111	32,520
Common dividends declared	\$ 2,829	\$ 2,630	\$ 2,541

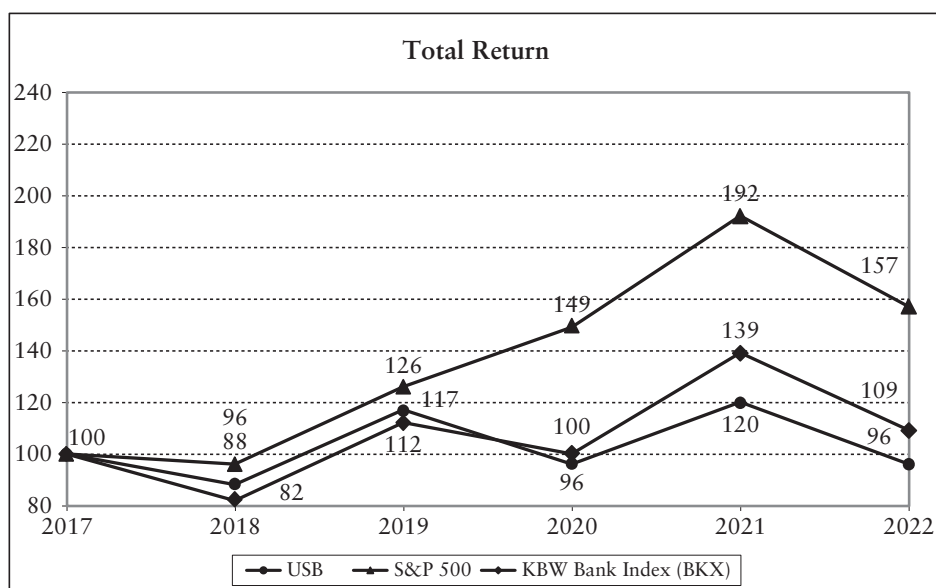
(a) Defined as total common shares issued less common stock held in treasury at December 31.

(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, 2023, there were 30,217 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, 2022, 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, 2017, 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.



Company Information

General Business Description U.S. Bancorp is a financial services holding company headquartered in Minneapolis, Minnesota, serving millions of local, national and global customers. U.S. Bancorp 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. Effective December 1, 2022, the Company acquired MUB’s core regional banking franchise, consisting primarily of retail banking branches in California, Oregon and Washington.

U.S. Bancorp’s banking subsidiaries, USBNA and MUB, are engaged in the general banking business, principally in domestic markets, and hold all of the Company’s consolidated deposits of \$525.0 billion at December 31, 2022. USBNA and MUB provide 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 and governmental entity 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 2,494 banking offices as of December 31, 2022, 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 4,505 ATMs as of December 31, 2022, 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. The Company’s 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.

On a full-time equivalent basis, as of December 31, 2022, U.S. Bancorp employed 76,646 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 material risk factors that make an investment in the Company speculative or risky.

Economic and Market Conditions Risk

Deterioration in business and economic conditions could adversely affect the Company’s lending business and the value of loans and debt securities it holds

The Company’s business activities and earnings are affected by general business conditions in the United States and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, and the strength of the domestic and global economies in which the Company operates. Changes in 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, 2021 and 2022, and changes in these conditions caused by Russia’s invasion of Ukraine impacted the Company’s results of operations in 2022. Other future changes in these conditions, whether related to the COVID-19 pandemic, the war in Ukraine, the threat or occurrence of a U.S. sovereign default 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 have 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. In addition, future deterioration in economic conditions 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.

In addition, volatility and uncertainty related to inflation or a possible recession and their effects, which could potentially continue to contribute to poor economic conditions, may contribute to or enhance some of the risks described herein. For example, higher inflation, slower growth or a recession could reduce demand for the Company's products, adversely affect the creditworthiness of its borrowers or result in lower values for its interest-earning assets and investment securities. Any of these effects, or others that the Company is not able to predict, could adversely affect its financial condition or results of operations.

Any deterioration in global economic conditions could damage the domestic economy or negatively affect the Company's borrowers or other counterparties that have direct or indirect exposure to these regions. Such global disruptions, including disruptions in supply chains or geopolitical risk, 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.

United States interest rates fell dramatically during the first quarter of 2020 and remained low through 2021, which adversely affected the Company's net interest income. The Federal Reserve raised benchmark interest rates throughout 2022 and may continue to raise interest rates in response to economic conditions, particularly inflationary pressures.

When interest rates are increasing, the Company can generally be expected to earn higher net interest income. However, higher interest rates can also lead to fewer originations of loans, less liquidity in the financial markets, and higher funding costs, each of which could adversely affect the Company's revenues and its liquidity and capital levels. In 2022, as a result of

the high interest rate environment, the Company earned higher net interest income but experienced fewer originations of mortgage loans and higher funding costs, and the Company expects these effects to continue in the future if interest rates remain elevated or increase further. Higher interest rates can also negatively affect the payment performance on loans that are linked to variable interest rates. If borrowers of variable rate loans are unable to afford higher interest payments, those borrowers may reduce or stop making payments, thereby causing the Company to incur losses and increased operational costs related to servicing a higher volume of delinquent loans.

The Company's results may be materially affected by market fluctuations and significant changes in the value of financial instruments

The value of securities, derivatives and other financial instruments which the Company owns or in which it makes markets can be materially affected by market fluctuations. Market volatility, illiquid market conditions and other disruptions in the financial markets may make it extremely difficult to value certain financial instruments. Subsequent valuations of financial instruments in future periods, in light of factors then prevailing, may result in significant changes in the value of these instruments. In addition, at the time of any disposition of these financial instruments, the price that the Company ultimately realizes will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of financial instruments that the Company owns or in which it makes markets, which may have an adverse effect on the Company's results of operations. The Company's risk management and monitoring processes, including its stress testing framework, seek to quantify and control the Company's exposure to more extreme market moves. However, the Company's hedging and other risk management strategies may not be effective, and it could incur significant losses, if extreme market events were to occur.

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

The publication of the most commonly used United States Dollar LIBOR settings will cease to be provided or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. Additionally, the United States federal banking agencies issued guidance strongly encouraging banking organizations to cease using the United States Dollar LIBOR as a reference rate in "new" contracts by December 31, 2021, at the latest, with limited exceptions. In March 2022, the LIBOR Act was enacted. The LIBOR Act provides a uniform approach for replacing LIBOR as a reference rate in contracts that do not include effective fallback provisions. Under the LIBOR Act and its implementing regulations, references to the most common tenors of LIBOR in such contracts will be replaced as a matter of law to instead reference rates based on SOFR.

The replacement of LIBOR is complex and could have a range of adverse impacts on the Company's business and results of operations. The Company has various types of transactions, including derivatives, loans, bonds, and securitized products, that reference LIBOR and other Interbank Offered Rates ("IBORs"). The replacement of LIBOR and other IBORs with ARR and the Company's development of products linked to alternate benchmark rates has created a number of risks for the Company, its customers, and the financial services industry more widely.

The extensive changes to documentation that govern or reference LIBOR or LIBOR-based products create a variety of execution risks for the Company. The Company may be unable to modify contracts with its counterparties to replace the reference rate for existing contracts based on or linked to LIBOR and other interest rate benchmarks with ARR by the dates set for cessation of LIBOR and other interest rate benchmarks. The Company will need to transition all contracts still tied to LIBOR on or shortly after the cessation of LIBOR, which becomes increasingly complicated with higher numbers of contracts due to variations across different products, types of fallback language, and remediation strategies. The Company will also need to communicate with counterparties regarding the transition of contracts to an ARR, and such communications will vary by customer and by product due to differences in product type, regulatory requirements, and other customer considerations.

The transition from LIBOR may also result in disputes, litigation or other actions with clients, counterparties or investors, including with respect to, among other things, (i) the interpretation and enforceability of provisions in LIBOR-based products such as fallback language or other related provisions, (ii) the interpretation and implementation of the LIBOR Act and the enforceability thereof, (iii) any economic, legal, operational or other impact from the fundamental differences between LIBOR and the various ARRs, (iv) any issues resulting from implementing fallback language in a large number of contracts over a short period of time, (v) a claimed failure to appropriately communicate possible remediation strategies and the effects of the transition, and (vi) any actions resulting from the Company's interpretation and execution of its roles and responsibilities in corporate trust transactions. The transition may also result in additional inquiries or other actions from regulators regarding the Company's preparation and readiness for the replacement of LIBOR.

The discontinuation of a LIBOR setting, changes in LIBOR or changes in market acceptance of LIBOR as a reference rate may also adversely affect the yield on loans or securities held by the Company; amounts paid on securities the Company has issued; amounts received and paid on derivative instruments it has entered into; the value of such loans, securities or derivative instruments; the trading market for securities; the terms of new loans being made using different or modified reference rates; the Company's ability to effectively use derivative instruments to manage risk; and the availability or cost of floating-rate funding and the Company's exposure to fluctuations in interest rates.

Changes to benchmark indices may also adversely affect the price, liquidity, value of, return on and trading for a broad array of financial products, including any LIBOR-linked securities, loans and derivatives that are included in the Company's financial assets and liabilities.

The Company's acquisition of MUB creates additional risks for the Company and compounds the risks noted above. In certain instances, the Company and MUB have different remediation strategies for similar products, which increases the complexity in planning for and executing remediation strategies related to customer communications and rate transitions. Additionally, in certain instances, the Company and MUB have taken different approaches to communications with customers. The dispute risks and economic risks noted above are heightened as well due to the increased number of financial instruments which must be transitioned from LIBOR.

The Company is also subject to the risk that its customers, counterparties and third-party vendors are not operationally ready to transition away from LIBOR, and the failure of such third parties to upgrade their operations to transition away from LIBOR on a timely basis could materially disrupt the Company's operations.

Operations and Business Risk

A breach in the security of the Company's information systems, or the information 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 continues to experience an increasing number of attempted attacks on its information systems, software, networks and other technologies. 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, technologies and 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 against new threats. Malicious actors continue to develop increasingly sophisticated cyber attacks that could impact the Company. Many financial institutions, retailers and other companies engaged in data processing, including software and information technology service providers, have reported cyber attacks, some of which 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 software that is intentionally included or inserted in an information system for a harmful purpose (malware).

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 the Company, counterparties or other market participants.

Third parties that facilitate the Company's business activities, including exchanges, clearinghouses, payment and ATM networks, financial intermediaries and vendors that provide services or technology solutions for the Company's operations, are also sources of operational and security risks to the Company due to 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, resulting in lost or compromised Company or customer information. Although the Company implements safeguards with respect to third-party systems, such safeguards may not always be effective. Furthermore, a third party may not reveal an attack or system failure 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 the third party's vendors and subcontractors ("fourth parties") could be the source of operational and security failures. In addition, if a third party obtains access to the customer account data on the Company's systems, and that party experiences a breach via an external or internal threat 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.

Within the past several years, multiple companies have disclosed substantial cybersecurity 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 because of the breach. The Company has suffered, and will in the future 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 cybersecurity breaches because malicious actor methods and techniques change frequently, 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, cyber extortion and accompanying ransom demands. The Company's information security risks may increase in the future as the Company continues to increase its mobile and internet-based product offerings and expands its internal usage of web-based products and applications. In addition, the Company's customers often use their own devices, such as computers, smart phones and tablet computers, to make payments and manage their accounts, 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 addition, the Company's acquisition of MUB has caused the Company to experience increased cybersecurity risk, which the Company expects to remain elevated until the integration of MUB is completed. Specifically, these risks include technology disruption during the integration phase, potential dormant threats in MUB, information technology resilience risk during integration and conversion, and risks related to the cybersecurity postures of USBNA and MUB.

If the Company's physical or cybersecurity systems are penetrated or circumvented, or an authorized user intentionally or unintentionally removes, loses or destroys critical business 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 of, 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 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 due to 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, which could negatively impact the ability to back up data.

The Company could also incur losses resulting from the risk of human error by employees, 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 customer remediation costs, the potential legal actions, fines or civil money penalties that could arise resulting from an operational deficiency or 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 is limited in its ability to control their actions. Any problems caused by third-party service providers, including failing to comply with their contractual obligations or performing their services negligently, 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 and hybrid work arrangements, 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. Individuals whose personal information may be protected by law can include the Company's customers, customers' customers, prospective customers, job applicants, current and former employees, the employees of the Company's suppliers, and other individuals. 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 and marketing of new products or services, and reduce operational efficiency. Any mishandling or misuse of personal information by the Company or its suppliers 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") and its implementing regulations impose significant requirements on covered businesses 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, among other things, expanding certain rights relating to personal information and its use, collection, deletion, correction, and disclosure by covered businesses. Compliance with the CCPA, the CPRA, and other state statutes, common law, or regulations designed to protect personal information 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, compelled changes to the Company's business practices, and/or reputational harm. The Company cannot predict whether any pending or future state or federal legislation will be adopted, or the impact of any such adopted 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.

In addition, legal requirements for cross-border personal data transfers are constantly changing, including the revisions made by the European Economic Area (“EEA”) that require the use of revised Standard Contractual Clauses (“SCCs”) for international data transfers from the EEA. The SCCs are required to be used for new agreements involving the cross-border transfer of personal data from the EEA and must be supplemented by an assessment and due diligence of the legal and regulatory landscape of the jurisdiction of the data importer, the channels used to transmit personal data and any sub-processors that may receive personal data. The UK has developed its own set of SCCs that must be used for transfers of personal data from the UK to the U.S. In December 2022, the European Commission announced a draft adequacy decision for the EU-U.S. Data Privacy Framework (the “EU-U.S. DPF”), a cross-border data transfer mechanism that will replace the EU-U.S. Privacy Shield that was invalidated in 2020. The EU-U.S. DPF is in development, and there is no guarantee that it will be approved in its current form. Compliance with these changes and any future changes to data transfer or privacy requirements could potentially require the Company to make significant technological and operational changes, any of which could result in substantial costs to the Company, and failure to comply with applicable data transfer or privacy requirements could subject the Company to fines or regulatory oversight.

Additional risks could arise from the failure of the Company or third parties to provide adequate notice to the Company’s customers about the personal information collected from them and the use of such information; 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 information. 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 or that the Company does not abide by such privacy preferences, 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 materially 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.

The Company may not realize the full value of its strategic plans and initiatives

As the Company develops its strategic initiatives, it scans the internal and external environment to inform any changes required, take advantage of new opportunities and/or respond to unexpected challenges. Initiatives include focusing on customer growth with tailored products and experiences that meet customer needs; maintaining discipline centered on preserving the Company’s financial excellence and risk appetite; acquiring and integrating financial services businesses or assets; cultivating a future-focused and diverse talent strategy; and increasing access to banking services and economic empowerment. The Company’s initiatives are impacted by internal factors, rapid pace of change from an evolving competitive landscape, increased cybersecurity threats, accelerated digitalization, and emerging technologies. In addition, execution is impacted by the Company’s response to external economic conditions, global uncertainty, and regulatory factors that are beyond its control. The Company’s future growth and the value of its stock will depend, in part, on its ability to effectively implement its business strategy. If the Company is not able to

successfully execute its business strategy, then the Company's competitive position, reputation, prospects for growth, and results of operations may be adversely affected.

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 retain and attract stakeholders such as 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, regulatory compliance, mergers and acquisitions, and actions taken by government regulators and community organizations in response to that conduct. Additionally, the Company's stakeholders often hold differing views on how the Company should address environmental, social and governance ("ESG") goals as it relates to serving customers. The Company's approach to ESG and customers may result in negative attention in traditional and social media, resulting in a negative perception of the Company depending on an individual's view. In addition, failure to deliver against established ESG goals and objectives could present reputational and financial harm to the Company. If the Company is unable to design or execute against business strategies that balance conflicting views on how it supports ESG initiatives, while continuing to support customers from differing industries, reputational damage could result, leading to a loss of customers or negative investor sentiment. Although the Company takes steps to minimize reputation risk in dealing with customers and other constituencies, the Company, as a large diversified financial services company with a high industry profile, is inherently exposed to this risk.

The Company's business and financial performance could be adversely affected, directly or indirectly, by natural disasters, pandemics, terrorist activities, civil unrest or international hostilities Neither the occurrence nor the potential impact of natural disasters, 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 has also suffered, and could in the future suffer, adverse consequences to the extent that natural disasters, pandemics, including the COVID-19 pandemic, terrorist activities, civil unrest or international hostilities, including Russia's invasion of Ukraine, affect the financial markets or the economy in general or in any particular region.

For example, the COVID-19 pandemic has created economic and financial disruptions that have adversely affected, and may in the future adversely affect, the Company's business, financial condition, capital and results of operations. During the COVID-19 pandemic, the Company 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. The extent to which the COVID-19 pandemic will in the future negatively affect the Company's business, financial condition, capital and results of operations will depend on developments that are highly uncertain and cannot be predicted at this time, including the scope and duration of any surges in the pandemic, the continued effectiveness of vaccines and their distribution and acceptance over the long term (including the effectiveness of vaccines against new COVID variants), the continued effectiveness of the Company's business continuity plans, and governmental and other responses to the pandemic. The COVID-19 pandemic has caused, and other future natural disasters, pandemics, 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.

Depending on the impact of the pandemic and current international hostilities on general economic and market conditions, there is a risk that adverse conditions could occur or worsen, including supply chain disruptions; higher inflation; a possible recession; decreased demand for the Company's products and services or those of its borrowers, which could increase credit risk; challenges related to maintaining sufficient qualified personnel due to labor shortages, talent attrition, employee illness, or willingness to return to work; increased risk of cyber attacks; increased volatility in commodity, currency and other financial markets; and disruptions to business operations at the Company and at counterparties, vendors and other service providers.

The United States has in recent years faced periods significant civil unrest. Although civil unrest has not materially affected the Company's businesses to date, 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 or 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 natural disasters, 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. Additionally, both the frequency and severity of some kinds of natural disasters, including wildfires, flooding, tornadoes and hurricanes, have increased, and the Company expects will continue to increase, as a result of climate change.

The Company's business strategy, operations, financial performance and customers could be materially adversely affected by the impacts related to climate change There is an increasing concern over the risks of climate change and the impact that climate change may have on the Company and its customers and communities. The physical risks of climate change include increasing average global temperatures, rising sea levels and an increase in the frequency and severity of extreme weather events and natural disasters, including wildfires, floods, tornadoes and hurricanes. Climate shifts and the increasing frequency and severity of natural disasters reduce the Company's ability to predict accurately the effects of natural disasters. Such disasters could disrupt the Company's operations or the operations of customers or third parties on which the Company relies. Such disasters could also result in market volatility, negatively impact customers' ability to pay outstanding loans, damage collateral or result in the deterioration of the value of collateral. Such disasters may also result in reduced availability of insurance, including insurance that protects property pledged as collateral for Company loans, which could negatively affect the Company's ability to predict credit losses accurately.

Additionally, climate change concerns could result in transition risk. Transition risks could include changes in consumer preferences, new technologies, and additional legislation and regulatory requirements, including those associated with the transition to a low-carbon economy. These physical risks and transition risks could increase expenses or otherwise adversely impact the Company's business strategy, operations, financial performance and customers. In particular, new regulations or guidance, or the attitudes of regulators, shareholders and employees regarding climate change, may affect the activities in which the Company engages and the products that the Company offers. In addition, an increasing perspective that financial institutions, including the Company, play an important role in managing risks related to climate change, including indirectly with respect to their customers, may result in increased pressure on the Company to take additional steps to disclose and manage its climate risks and related lending and other activities. The Company could also experience increased expenses resulting from strategic planning, litigation and technology and market changes, and reputational harm as a result of negative public sentiment, regulatory scrutiny and

reduced investor and stakeholder confidence due to the Company's response to climate change and the Company's climate change strategy.

Risks associated with climate change are continuing to evolve rapidly, making it difficult to assess the effects of climate change on the Company, and the Company expects that climate change-related risks will continue to evolve and increase over time.

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, changes in administration may result in the Company and other large financial institutions becoming subject to increased scrutiny and/or more extensive legal and regulatory requirements than under prior presidential and congressional regimes. 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 experienced. 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 (including by limiting the fees the Company may charge), 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. For example, the Inflation Reduction Act of 2022 imposed a new one percent excise tax on corporate stock repurchases, which could impact the extent of the Company's common stock repurchases, preferred stock redemptions, and mergers and acquisitions activity, as well as increase the Company's tax liability and reduce the Company's net income in connection with these activities. Moreover, general regulatory practices, such as longer time frames to obtain regulatory approvals for acquisitions and other activities (and the resultant impact on businesses the Company may seek to acquire), could affect the Company's ability or willingness to make certain acquisitions or introduce new products or services. In addition, the Biden Administration recently called on all regulatory agencies to reduce or eliminate certain fees relating to a number of services, including banking services. At the same time, the CFPB launched an initiative to reduce the amounts and types of fees financial institutions may charge, including by issuing a proposed rule that would significantly reduce the permissible amount of credit card late fees. Such changes could affect the Company's ability or willingness to provide certain products or services, necessitate changes to the Company's business practices or reduce the Company's revenues.

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, including with respect to mortgage-related practices, fair lending practices, fees charged by banks, 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 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 or any of the Company's subsidiaries (including USBNA and MUB and, in the case of MUB, in respect of conduct or activities that may have occurred prior to the Company's acquisition of MUB), 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 BSA/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 USBNA 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 the prudential and consumer protection regulatory framework that applies to banks, 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 or restrictions on activities.

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 United States banking organizations, including the Company and USBNA, 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 stress capital 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.

The effects of the COVID-19 pandemic and actions by the Federal Reserve have in the past limited and may in the future limit capital distributions, including suspension of the Company's share repurchase program or reduction or suspension of the Company's common stock dividend.

In addition, in connection with the Company's acquisition of MUB, the Company committed to submit to the Federal Reserve quarterly implementation plans for complying with requirements applicable to "Category II" institutions (i.e., institutions with \$700 billion or more in total assets or \$75 billion or more in cross-jurisdictional activities). The Company also committed to meet requirements applicable to Category II institutions by the earlier of (1) the date required under the Tailoring Rules and (2) December 31, 2024, if the Federal Reserve notifies the Company by January 1, 2024, that the Company must comply with such rules. As a Category II institution (whether obligated by rule or Federal Reserve notice), the Company would be subject to the full LCR and NSFR requirements, which would require the Company to maintain higher amounts of liquidity than are currently required. The Company would also be required to conduct more frequent company-run stress tests. In addition, the Company would be subject to more stringent risk-based capital requirements. These and other requirements that would apply to the Company after it becomes a Category II institution likely would result in additional compliance and other costs that may adversely affect the Company's results of operations.

Further, on October 14, 2022, the Federal Reserve published an advance notice of proposed rulemaking (ANPR) that together with the FDIC solicits public comment on potential changes to the resolution-related standards applicable to certain large banking organizations that are not globally systemically important banks (or GSIBs) such as the Company. The ANPR broadly focuses on whether and how certain elements of the GSIB resolution-related standards could be modified and applied to preserve optionality during the resolution of large banking organizations that are not GSIBs and address financial stability risks that may be associated with the material financial distress or failure of such organizations. In particular, the ANPR focuses on the potential imposition of a "long-term debt requirement" either at the holding company or bank level. If a long-term debt requirement was adopted, the Company may need to change its current funding mix, including being required to raise additional long-term debt, which could adversely impact net interest margin and net interest income.

Additional capital and liquidity requirements may be imposed in the future. In December 2017, the Basel Committee finalized a package of revisions to the Basel III framework. The changes are meant to improve the calculation of risk-weighted assets and the comparability of capital ratios. Federal banking regulators are expected to undertake rule-makings in future years to implement these revisions in the United States. 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 and government scrutiny 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.

Since 2020, many financial institutions, including the Company, have received regulatory and governmental inquiries

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.

Although, under the terms of the Share Purchase Agreement for the Company's acquisition of MUB, the Company may be entitled to indemnification from Mitsubishi UFJ Financial Group, Inc. for certain losses, as the acquirer of MUB, the Company assumed MUB's liabilities as part of the acquisition, which includes, as a condition to the regulatory approval for the transaction, ensuring ongoing compliance with an OCC consent order relating to MUB's technology and operational risk management, and could also include other liabilities related to MUB's compliance with banking law. Such liabilities could result in additional regulatory scrutiny, constraints on the Company's business, or enforcement actions, including civil money penalties or fines. Any of those events could have a material adverse impact on the Company's future operations, financial condition, growth, or other aspects of its business.

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.

The Company's failure to satisfy its obligations as servicer for automobile loan securitizations and residential mortgage loans owned by other entities, and other losses the Company could incur as servicer, could adversely impact the Company's reputation, servicing costs or results of operations The Company services automobile loans on behalf of third-party securitization vehicles and also acts as servicer and master servicer for mortgage loans included in securitizations and for unsecuritized mortgage loans owned by investors. As a servicer or master servicer for those loans, the

Company has certain contractual obligations to the securitization trusts, investors, or other third parties. As a servicer, the Company's obligations include foreclosing on defaulted loans or, to the extent consistent with the applicable securitization or other investor agreement, considering alternatives to foreclosure such as loan modifications or short sales, as applicable. In the Company's capacity as a master servicer, obligations include overseeing the servicing of mortgage loans by the servicer. Generally, the Company's servicing obligations are set by contract, for which the Company receives a contractual fee. However, with respect to mortgage loans, GSEs can amend their servicing guidelines, which can increase the scope or costs of the services required without any corresponding increase in the Company's servicing fee. As a servicer, the Company also advances expenses on behalf of investors which it may be unable to collect. A material breach of the Company's obligations as servicer or master servicer may result in contract termination if the breach is not cured within a specified period of time following notice. In addition, the Company may be required to indemnify the securitization trustee against losses from any failure by the Company, as a servicer or master servicer, to perform the Company's servicing obligations or any act or omission on the Company's part that involves willful misfeasance, bad faith, or gross negligence. For certain investors and certain transactions, the Company may be contractually obligated to repurchase a mortgage loan or reimburse the investor for credit losses incurred on the loan as a remedy for servicing errors with respect to the loan. The Company may be subject to increased repurchase obligations as a result of claims made that the Company did not satisfy its obligations as a servicer or master servicer. The Company may also experience increased loss severity on repurchases, which may require a material increase to the Company's repurchase reserve. The Company has and may continue to receive indemnification requests related to the Company's servicing of mortgage loans owned or insured by other parties, primarily GSEs.

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. Stress on the United States economy or the local economies in which the Company does business, including the economic stress caused by the pandemic, supply chain

disruptions, escalating geopolitical tensions and higher interest rates and inflation, has resulted, and in the future may result, in, among other things, borrowers' inability to refinance loans at maturity and unexpected deterioration in credit quality of the loan portfolio or in the value of collateral securing those loans, which has caused, and in the future could cause, the Company to establish higher provisions for credit losses.

The Company reserves for credit losses by establishing an allowance through a charge to earnings to provide for loan defaults and nonperformance. The Company's allowance for loan losses is compliant with the 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. For example, the Company's acquisition of MUB has increased the Company's exposure to the markets in California. Deterioration in real estate

values and underlying economic conditions in California could result in higher credit losses to the Company.

Changes in interest rates can impact the value of the Company's mortgage servicing rights and mortgages held for sale, and can make its mortgage banking revenue volatile from quarter to quarter, which can reduce its earnings

The Company has a portfolio of MSR's, which is the right to service a mortgage loan—collect principal, interest and escrow amounts—for a fee, with a fair value of \$3.8 billion as of December 31, 2022. The Company initially carries its MSR's 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 MSR's 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, mortgage originations may fall or any increase in mortgage originations may not be enough to offset the decrease in the MSR's' value caused by the lower rates.

The Company relies on the mortgage secondary market and GSEs for some of the Company's revenue and liquidity

The Company sells a portion of the mortgage loans that it originates to increase revenue through origination fees and ongoing servicing of such loans and to provide funding capacity for originating additional loans. GSEs could limit their purchases of conforming loans due to capital constraints, other changes in their criteria for conforming loans or other reasons. This potential reduction in purchases could limit the Company's ability to fund new loans. In addition, if GSEs limited their purchases of conforming loans, the Company may limit its originations of mortgage loans that it intends to sell, which could reduce the Company's revenue from origination fees of such loans and the ongoing servicing fees it receives from such loans. Proposals have been presented to reform the housing finance market in the U.S., including the role of the GSEs in the housing finance market. The extent and timing of any such regulatory reform of the housing finance market and the GSEs, as well as any effect on the Company's business and financial results, are uncertain.

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, the threat or occurrence of a U.S. sovereign default, 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. Recent increases in

short-term interest rates have resulted in and are expected to continue to result in more intense competition in deposit pricing. 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 USBNA, MUB and the Company's 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 USBNA, MUB and certain of the Company's 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 USBNA and MUB 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.

The adoption and rapid growth of new technologies, including cryptocurrencies and blockchain and other distributed ledger technologies, have required the Company to invest resources to adapt its systems, products and services, and it expects to continue to make similar investments. 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), 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, including its recently completed acquisition of MUB, 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. The Company may incur substantial expenses related to acquisitions and integration of acquired companies. Successful integration of an acquired company, including MUB, may present challenges due to differences in systems, operations, policies and procedures, management teams and corporate cultures and may be more costly or difficult to complete than anticipated or have unanticipated adverse results. Integration efforts could divert management’s attention and resources, which could adversely affect the Company’s operations or results. Integration efforts could result in higher than expected customer loss, deposit attrition, loss of key employees, issues with systems and technology, 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 impact of the COVID-19 pandemic had a significant impact on the longer-term labor and employment market, including heightened pressures on employers to increase compensation and provide work-from-home, hybrid and other flexible working arrangements. Employees have shifted their focus to expectations that extend beyond compensation, including better work-life balance, improved advancement opportunities and improved training, and many businesses, including the Company, have had to adapt quickly to the changing environment. The Company's ability to compete successfully for talent has been and may continue to be affected

by its ability to adapt quickly to such shifts in employee focus, and 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 to credit agencies' ongoing review of a number of factors, including factors not within the Company's control such as the threat or occurrence of a U.S. sovereign default, 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 with 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, 62, 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 Firststar 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 2000 through 2001.

Souheil S. Badran

Mr. Badran is Senior Executive Vice President and Chief Operations Officer of U.S. Bancorp. Mr. Badran, 58, has served in this position since joining U.S. Bancorp in December 2022. From January 2019 until November 2022, he served as Executive Vice President and Chief Operating Officer at Northwestern Mutual, having also served as Chief Innovation Officer from January 2019 until September 2019. Previously Mr. Badran served as President of Alibaba's Alipay business in the Americas from August 2016 until August 2018. From 2015 to 2016, Mr. Badran served as CEO at Edo Interactive, and from 2011 to 2015, he served as Senior Vice President and General Manager at Digital River.

Elcio R.T. Barcelos

Mr. Barcelos is Senior Executive Vice President and Chief Human Resources Officer of U.S. Bancorp. Mr. Barcelos, 52, 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, 59, 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, 59, 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.

Venkatachari Dilip

Mr. Dilip is Executive Vice President and Global Chief Information and Technology Officer of U.S. Bancorp. Mr. Dilip, 63, has served in this position since September 2018, when he joined U.S. Bancorp. From May 2014 until July 2017, he served as Vice President at McKinsey Digital where he helped banks accelerate their digital transformation. From April 2009 to September 2013, he served as CEO at Compass Labs leading an innovative marketing analytics company. From March 2006 until April 2008, he served as Director of Products at Google where he led product teams for mobile ads and Google Checkout. From March 2004 until March 2006, he served as Vice President of PayPal/eBay and on the Board of PayPal Europe, where he was responsible for Payments Services, Risk and Fraud Management. Previously, Mr. Dilip co-founded and led startup companies CashEdge and CommerceSoft from 1996 until 2003.

Terrance R. Dolan

Mr. Dolan is Vice Chair and Chief Financial Officer of U.S. Bancorp. Mr. Dolan, 61, 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, 52, 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 and a Partner and associate at McKinsey from 1996 to 2004.

James B. Kelligrew

Mr. Kelligrew is Vice Chair, Corporate and Commercial Banking, of U.S. Bancorp. Mr. Kelligrew, 57, 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, 58, 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, 58, 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, 54, 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 Transformation Officer of U.S. Bancorp. Mr. Runkel, 46, has served in this position since August 2021. From December 2013 to August 2021, he served as Senior Executive Vice President and Chief Credit Officer. 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. Ventura

Mr. Ventura is Senior Executive Vice President and Chief Digital Officer of U.S. Bancorp. Mr. Ventura, 56, 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. Ventura 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.

Jeffrey H. von Gillern

Mr. von Gillern is Vice Chair, Technology and Operations Services, of U.S. Bancorp. Mr. von Gillern, 57, 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, 57, 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^{1,2,4}

*Executive Chairman and Former Chairman,
President and Chief Executive Officer*
Ameren Corporation
(Energy)

Dorothy J. Bridges^{1,6,7}

Chief Executive Officer
Metropolitan Economic Development Association (Meda)
(Economic Development)

Elizabeth L. Buse^{2,3}

Former Chief Executive Officer
Monitise plc
(Financial services)

Alan B. Colberg^{2,6}

Retired President and Chief Executive Officer
Assurant, Inc.
(Financial services and specialty insurance)

Kimberly N. Ellison-Taylor^{2,6}

Founder and Chief Executive Officer
KET Solutions, LLC
(Technology)

Kimberly J. Harris^{1,4,5}

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^{1,3,5}

Founding Principal and Chief Executive Officer
Hernandez Media Ventures
(Media)

Olivia F. Kirtley^{1,4,5}

Business Consultant
(Consulting)

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)

Loretta E. Reynolds^{3,7}

Founder and Chief Executive Officer
LEReynolds Group, LLC
(Information 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

George Andersen
Senior Vice President,
Director of Investor Relations
george.andersen@usbank.com
Phone: 612-303-3620

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.

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 named us to its World's Most Ethical Companies® list for the eighth time in 2022.

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 and then Governance Documents.

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.

To learn more about our commitment to diversity, equity and inclusion, visit usbank.com/diversity.

Equal opportunity and affirmative action

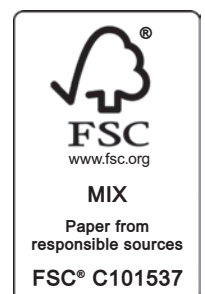
U.S. Bancorp and our subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this commitment, employment decisions are made based on abilities, not race, color, religion, creed, citizenship, national origin or ancestry, gender, age, disability, veteran status, sexual orientation, marital status, gender identity or expression, genetic information or any other factors protected by law. The Company complies with municipal, state and federal fair employment laws, including regulations applying to federal contractors.

U.S. Bancorp, including each of our subsidiaries, is an equal opportunity employer committed to creating a diverse workforce.

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800 Nicollet Mall
Minneapolis, MN 55402
800-USBANKS (872-2657)
usbank.com





CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
10/16/2023

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 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:		
INSURED U.S. Bancorp EP-MN-L201 200 S. 6th Street Minneapolis MN 55402 USA			INSURER(S) AFFORDING COVERAGE
			NAIC #
			INSURER A: ACE American Insurance Company
			INSURER B:
			INSURER C:
			INSURER D:
			INSURER E:
			INSURER F:

COVERAGES **CERTIFICATE NUMBER:** 570102246432 **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. 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 <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> 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 <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION						EACH OCCURRENCE AGGREGATE
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/> Y / <input type="checkbox"/> N	N/A				<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT E.L. DISEASE-EA EMPLOYEE E.L. DISEASE-POLICY LIMIT
A	Cyber Liability			EONG25602894007 Claims Made - Third Party SIR applies per policy terms & conditions	11/15/2022	11/15/2023	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 Includes: The State of Nebraska Department of Administrative Services Nebraska State Purchasing Bureau Attn: Matthew Hansen, State of Nebraska Purchasing Bureau, 1526 K Street, Suite 130, Lincoln, NE 68508. RE: The State of Nebraska's Fleet Fuel Card Services, RFP Number: 6819 Z1.

CERTIFICATE HOLDER The State of Nebraska Department of Administrative Services Nebraska State Purchasing Bureau State of Nebraska Purchasing Bureau 1526 K Street, suite 130 Lincoln NE 68508 USA	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
--	--

Holder Identifier :

570102246432

Certificate No :





CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/16/2023

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 LLC 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													
	<table border="1"> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> <tr> <td>INSURER A : Indian Harbor Insurance Company</td> <td>36940</td> </tr> <tr> <td>INSURER B :</td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Indian Harbor Insurance Company	36940	INSURER B :		INSURER C :		INSURER D :		INSURER E :		INSURER F :
INSURER(S) AFFORDING COVERAGE	NAIC #													
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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-010467085-01 **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 <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> 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 <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY						COMBINED SINGLE LIMIT (Ea accident)	\$
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE	\$
							AGGREGATE	\$
								\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y / <input checked="" type="checkbox"/> N <input type="checkbox"/> N / A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE OTH-ER	
							E.L. EACH ACCIDENT	\$
							E.L. DISEASE - EA EMPLOYEE	\$
							E.L. DISEASE - POLICY LIMIT	\$
A	ERRORS & OMISSIONS			US00122494BL22F	11/15/2022	11/15/2023	Aggregate Limit:	10,000,000
A	FI BOND (CRIME)			US00122494BL22G	11/15/2022	11/15/2023	Aggregate Limit:	10,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
RE: RFP 6819 Z1

CERTIFICATE HOLDER **CANCELLATION**

State of Nebraska Department of Administrative Services Nebraska State Purchasing Bureau Attn: Matthew Hansen Nebraska State Purchasing Bureau 1526 Street, Suite 130 Lincoln, NE 68508	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 <i>Marsh USA LLC</i>
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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
10/16/2023

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PRODUCER Brown & Brown Inc. 80 South 8th Street Suite 700 Minneapolis, MN 55402	1-612-333-3323	CONTACT NAME: Dawn Heinemann and Melody Kronbach PHONE (A/C No. Ext): 612-333-3323 E-MAIL ADDRESS: dawn.heinemann@bbrown.com	FAX (A/C, No): 612-373-7270
INSURED U.S. Bancorp and its Subsidiaries 200 South 6th Street EP-MN-L20I Minneapolis, MN 55402		INSURER(S) AFFORDING COVERAGE	
		INSURER A: OLD REPUBLIC INS CO	NAIC # 24147
		INSURER B: NATIONAL UNION FIRE INS CO OF PITTS	19445
		INSURER C:	
		INSURER D:	
		INSURER E:	
		INSURER F:	

COVERAGES

CERTIFICATE NUMBER: 69890271

REVISION NUMBER: 1


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	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		MWZY31397923	08/01/23	08/01/24	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	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY			MWTB31397723	08/01/23	08/01/24	COMBINED SINGLE LIMIT (Ea accident) \$ 250,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$			38178743	08/01/23	08/01/24	EACH OCCURRENCE \$ 10,000,000 AGGREGATE \$ 10,000,000 \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below			MWC31397623	08/01/23	08/01/24	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> 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.			MWZX31398123	08/01/23	08/01/24	LIMIT 4,750,000

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

Medical Expense - \$5,000 has been endorsed on the general liability policy per form GL 416 010 0811.
RE: RFP 6819 Z1 - Fleet Fuel Card Services, Purchasing Card, Preferred Vendor Card and Group Travel Card Services.
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**

CON State of Nebraska, Dept. of Administrative Services 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 
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ACORD 25 (2016/03)

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State of Nebraska State Purchasing Bureau

REQUEST FOR PROPOSAL FOR CONTRACTUAL SERVICES

REQUEST FOR PROPOSAL NUMBER	RELEASE DATE
RFP 6819 Z1	September 6, 2023
OPENING DATE AND TIME	PROCUREMENT CONTACT
October 18, 2023 2:00 p.m. Central Time	Matthew Hansen / Connie Heinrichs

PLEASE READ CAREFULLY!

SCOPE OF SERVICE

The State of Nebraska (State), Department of Administrative Services (DAS), Materiel Division, State Purchasing Bureau (SPB), is issuing this Request for Proposal (RFP) Number 6819 Z1 for the purpose of selecting a qualified Contractor to provide Fleet Fuel Card Services. A more detailed description can be found in Section V. The resulting contract may not be an exclusive contract as the State reserves the right to contract for the same or similar services from other sources now or in the future.

The term of the contract will be six (6) years commencing upon notice to proceed. The Contract includes the option to renew for two (2) additional one (1) year periods upon mutual agreement of the Parties. The State reserves the right to extend the period of this contract beyond the termination date when mutually agreeable to the Parties.

In the event that a contract with the awarded bidder(s) is cancelled or in the event that the State needs additional contractors to supply the solicited services, this RFP may be used to procure the solicited services for up to eighteen (18) months from the date the Intent to Award is posted, provided that 1) the solicited goods or services will be provided by a bidder (or a successive owner) who submitted a bid pursuant to this RFP, 2) the bidder's proposal was evaluated, and 3) the bidder will honor the bidder's original proposal, including the proposed cost, allowing for any price increases that would have otherwise been allowed if the bidder would have received the initial award.

ALL INFORMATION PERTINENT TO THIS REQUEST FOR PROPOSAL CAN BE FOUND ON THE INTERNET AT:
<https://das.nebraska.gov/materiel/bidopps.html>.

IMPORTANT NOTICE: Pursuant to Neb. Rev. Stat. § 84-602.04, State contracts in effect as of January 1, 2014, and contracts entered into thereafter, must be posted to a public website. The resulting contract, the Request for Proposal, and the awarded bidder's proposal and response will be posted to a public website managed by DAS, which can be found at <http://statecontracts.nebraska.gov> And https://www.nebraska.gov/das/materiel/purchasing/contract_search/index.php.

In addition, and in furtherance of the State's public records Statute (Neb. Rev. Stat. § 84-712 et seq.), all proposals or responses received regarding this Request for Proposal will be posted to the State Purchasing Bureau public website.

These postings will include the entire proposal or response. Bidder must request that proprietary information be excluded from the posting. The bidder must identify the proprietary information, mark the proprietary information according to state law, and submit the proprietary information in a separate file named conspicuously as "PROPRIETARY INFORMATION". The bidder should submit a detailed written document showing that the release of the proprietary information would give a business advantage to named business competitor(s) and explain how the named business competitor(s) will gain an actual business advantage by disclosure of information. The mere assertion that information is proprietary or that a speculative business advantage might be gained is not sufficient. (See Attorney General Opinion No. 92068, April 27, 1992). THE BIDDER MAY NOT ASSERT THAT THE ENTIRE PROPOSAL IS PROPRIETARY. REBATE PROPOSALS WILL NOT BE CONSIDERED

PROPRIETARY AND ARE A PUBLIC RECORD IN THE STATE OF NEBRASKA. The State will determine, in its sole discretion, if the disclosure of the information designated by the Bidder as proprietary would 1) give advantage to business competitors and 2) serve no public purpose. The Bidder will be notified of the State's decision. Absent a determination by the State that the information may be withheld pursuant to Neb. Rev. Stat. § 84-712.05, the State will consider all information a public record subject to disclosure.

If the State determines it is required to release withheld proprietary information, the bidder will be informed. It will be the bidder's responsibility to defend the bidder's asserted interest in non-disclosure.

To facilitate such public postings, with the exception of proprietary information, the State of Nebraska reserves a royalty-free, nonexclusive, and irrevocable right to copy, reproduce, publish, post to a website, or otherwise use any contract, proposal, or response to this Request for Proposal for any purpose, and to authorize others to use the documents. Any individual or entity awarded a contract, or who submits a proposal or response to this Request for Proposal, specifically waives any copyright or other protection the contract, proposal, or response to the Request for Proposal may have; and, acknowledges that they have the ability and authority to enter into such waiver. This reservation and waiver is a prerequisite for submitting a proposal or response to this Request for Proposal, and award of a contract. Failure to agree to the reservation and waiver will result in the proposal or response to the Request for Proposal being found non-responsive and rejected.

Any entity awarded a contract or submitting a proposal or response to the Request for Proposal agrees not to sue, file a claim, or make a demand of any kind, and will indemnify and hold harmless the State and its employees, volunteers, agents, and its elected and appointed officials from and against any and all 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, sustained or asserted against the State, arising out of, resulting from, or attributable to the posting of the contract or the proposals and responses to the Request for Proposal, awards, and other documents.

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GLOSSARY OF TERMS

Addendum: Something to be added or deleted to an existing document; a supplement.

Agency: Any state agency, board, or commission other than the University of Nebraska, the Nebraska State colleges, the courts, the Legislature, or any other office or agency established by the Constitution of Nebraska.

Agent/Representative: A person authorized to act on behalf of another.

Amend: To alter or change by adding, subtracting, or substituting.

Amendment: A written correction or alteration to a document.

Appropriation: Legislative authorization to expend public funds for a specific purpose. Money set apart for a specific use.

Automated Clearing House: (ACH) Electronic network for financial transactions in the United States

Award: All purchases, leases, or contracts which are based on competitive proposals will be awarded according to the provisions in the Request for Proposal.

Best and Final Offer (BAFO): In a competitive proposal, the final offer submitted which contains the bidder's most favorable terms for price.

Bid Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the contractor will not withdraw the bid.

Bidder: A contractor who submits a proposal in response to a written Request for Proposal.

Breach: Violation of a contractual obligation by failing to perform or repudiation of one's own promise.

Business: Any corporation, partnership, individual, sole proprietorship, joint-stock company, joint venture, or any other private legal entity.

Business Day: Any weekday, except State-recognized holidays.

Calendar Day: Every day shown on the calendar including Saturdays, Sundays, and State/Federal holidays.

Cancellation: To call off or revoke a purchase order or contract without expectation of conducting or performing it at a later time.

Change Order: Document that provides an addendum and/or amendments to an executed purchase order or contract.

Collusion: An agreement or cooperation between two or more persons or entities to accomplish a fraudulent, deceitful, or unlawful purpose.

Confidential Information: Unless otherwise defined below, "Confidential Information" shall also mean proprietary trade secrets, academic and scientific research work which is in progress and unpublished, and other information which if released would give advantage to business competitors and serve no public purpose (see Neb. Rev. Stat. §84-712.05(3)). In accordance with Nebraska Attorney General Opinions 92068 and 97033, proof that information is proprietary requires identification of specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would receive.

Contract: An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law; the writing that sets forth such an agreement.

Contract Administration: The administration of the contract which includes and is not limited to; contract signing, contract amendments and any necessary legal actions.

Contract Award: Occurs upon execution of the State document titled "Service Contract Award" by the proper authority.

Contract Management: The management of day-to-day activities at the agency which includes and is not limited to ensuring deliverables are received, specifications are met, handling meetings and making payments to the Contractor.

Contract Period: The duration of the contract.

Contractor: An individual or entity lawfully conducting business in the State, or licensed to do so, who seeks to provide goods or services under the terms of a written Request for Proposal.

Copyright: A property right in an original work of authorship fixed in any tangible medium of expression, giving the holder the exclusive right to reproduce, adapt and distribute the work.

Customer Service: The process of ensuring customer satisfaction by providing assistance and advice on those products or services provided by the Contractor.

Default: The omission or failure to perform a contractual duty.

Deviation: Any proposed change(s) or alteration(s) to either the terms and conditions or deliverables within the scope of the written Request for Proposal or contract.

Evaluation: The process of examining an offer after opening to determine the bidder's responsibility, responsiveness to requirements, and to ascertain other characteristics of the offer that relate to determination of the successful award.

Evaluation Committee: Individuals selected by the requesting agency for the evaluation of proposals (offers made in response to written Request for Proposals).

Extension: Continuance of a contract for a specified duration upon the agreement of the parties beyond the original Contract Period. Not to be confused with "Renewal Period".

Fleet Card: A government charge card used to purchase fuel and authorized repairs, parts, or services for government owned or commercially leased vehicles, in support of official government business.

Fleet Management System: (FMS) A management computer system organizing and maximizing the efficiency of a company's fleet of vehicles including but not limited to vehicle depreciation, capable of tracking vehicle location, driver activity, and tracking mechanical purchases.

Fraud: Any criminal act of corruption or attempt to cheat the government or corrupt the government's agents. Use of government charge cards to transact business that is not sanctioned, not authorized, not in one's official government capacity, not for the purpose for which the card was issued or not as a part of official government business, etc., are examples of fraud.

Foreign Corporation: A foreign corporation that was organized and chartered under the laws of another state, government, or country.

Installation Date: The date when the procedures described in "Installation by Contractor", and "Installation by State", as found in the Request for Proposal, or contract, are completed.

Interested Party: A person, acting in their personal capacity, or an entity entering into a contract or other agreement creating a legal interest therein.

Late Proposal: An offer received after the Opening Date and Time.

Level III Data: Information at a minimum includes odometer, driver ID number or PIN, line item detail (for non-fuel purchases), merchant classification code, fuel grade, cost per gallon, sales tax, number of gallons, purchased date and time, merchant name, merchant street address, merchant city, state and zip code, total purchase cost, vehicle ID, and account number.

Licensed Software Documentation: The user manuals and any other materials in any form or medium customarily provided by the Contractor to the users of the Licensed Software which will provide the State with sufficient information to operate, diagnose, and maintain the Licensed Software properly, safely, and efficiently.

Mandatory/Must: Required, compulsory, or obligatory.

May: Discretionary, permitted; used to express possibility.

Must: See Mandatory/Must and Shall/Will/Must.

Non-Responsive Proposal: Any proposal that does not comply with the requirements of the Request for Proposal.

Opening Date and Time: Specified date and time for the public opening of received, labeled, and sealed formal proposals.

Performance Bond: An insurance agreement, accompanied by a monetary commitment, by which a third party (the surety) accepts liability and guarantees that the Contractor fulfills any and all obligations under the contract.

Point of Contact (POC): The person designated to receive communications and to communicate.

Pre-Proposal Conference: A meeting scheduled for the purpose of clarifying a written Request for Proposal and related expectations.

Project: The total scheme, program, or method worked out for the accomplishment of an objective, including all documentation, commodities, and services to be provided under the contract.

Proposal: Bidder's response to a written Request for Proposal.

Proposal Opening: The process of opening correctly submitted offers at the time and place specified in the written Request for Proposal and in the presence of anyone who wished to attend.

Protest/Grievance: A complaint about a governmental action or decision related to a Request for Proposal or resultant contract, brought by a bidder who has submitted a proposal response by the opening date and time in connection with the award in question, to AS Materiel Division or another designated agency with the intention of achieving a remedial result.

Rebate: A payment based on the quarterly or yearly spending volume of transactions (purchased less returns).

Release Date: The date of public release of the written Request for Proposal to seek offers.

Renewal Period: Optional contract periods subsequent to the original Contract Period for a specified duration with previously agreed to terms and conditions. Not to be confused with Extension.

Request for Proposal (RFP): A written solicitation utilized for obtaining competitive offers.

Responsible Contractor: A contractor who has the capability in all respects to perform fully and lawfully all requirements with integrity and reliability to assure good faith performance.

Responsive Bidder: A vendor who has submitted a proposal which conforms to all requirements of the Request for Proposal document.

Shall/Will/Must: An order/command; mandatory.

Should: Expected; suggested, but not necessarily mandatory.

Specifications: The detailed statement, especially of the measurements, quality, materials, and functional characteristics, or other items to be provided under a contract.

Subcontractor: Individual or entity with whom the contractor enters a contract to perform solely for the purpose of performing a portion of the work awarded to the contractor under this specific contract.

Termination: Occurs when either Party, pursuant to a power created by agreement or law, puts an end to the contract prior to the stated expiration date. All obligations which are still executory on both sides are discharged but any right based on prior breach or performance survives.

Third Party: Any person or entity, including but not limited to fiduciaries, shareholders, owners, officers, managers, employees, legally disinterested persons, and sub-contractors or agents, and their employees. It shall not include any entity or person who is an interested Party to the contract or agreement.

Trade Secret: Information, including, but not limited to, a drawing, formula, pattern, compilation, program, device, method, technique, code, or process that (a) derives independent economic value, actual or potential, from not being known to, and not being ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (see Neb. Rev. Stat. § 87-502(4)).

Trademark: A word, phrase, logo, or other graphic symbol used by a manufacturer or contractor to distinguish its product from those of others, registered with the U.S. Patent and Trademark Office.

Vendor: An individual or entity lawfully conducting business with the State.

Will: See Mandatory/Shall/Will/Must.

Work Day: See Business Day.

ACRONYM LIST

ACH – Automated Clearing House

BAFO – Best and Final Offer

COI – Certificate of Insurance

DAS – Department of Administrative Services

FMS – Fleet Management System

RFP – Request for Proposal

SPB – State Purchasing Bureau

I. PROCUREMENT PROCEDURE

A. GENERAL INFORMATION

The Request for Proposal is designed to solicit proposals from a qualified bidder who will be responsible for providing Fleet Fuel Card Services at a competitive and reasonable cost. Terms and Conditions, Project Description and Scope of Work, Proposal instructions, and Rebate Proposal Requirements may be found in Sections II through VI.

Proposals shall conform to all instructions, conditions, and requirements included in the Request for Proposal. Prospective bidders are expected to carefully examine all documents, schedules, and requirements in this Request for Proposal, and respond to each requirement in the format prescribed. Proposals may be found non-responsive if they do not conform to the Request for Proposal.

B. PROCURING OFFICE AND COMMUNICATION WITH STATE STAFF AND EVALUATORS

Procurement responsibilities related to this Request for Proposal reside with State Purchasing Bureau. The point of contact (POC) for the procurement is as follows:

RFP Number: 6819 Z1
Name: Matthew Hansen / Connie Heinrichs
Agency: State Purchasing Bureau
Address: 1526 K Street, Suite 130
Lincoln, NE 68508
Telephone: 402-471-2302 / 402-471-0975
E-Mail: matthew.hansen@nebraska.gov / connie.heinrichs@nebraska.gov

From the date the Request for Proposal is issued until the Intent to Award is issued, communication from the bidder is limited to the POC listed above. After the Intent to Award is issued, the bidder may communicate with individuals the State has designated as responsible for negotiating the contract on behalf of the State. No member of the State Government, employee of the State, or member of the Evaluation Committee is empowered to make binding statements regarding this Request for Proposal. The POC will issue any answers, clarifications, or amendments regarding this Request for Proposal in writing. Only the SPB or awarding agency can award a contract. Bidders shall not have any communication with or attempt to communicate or influence any evaluator involved in this Request for Proposal.

The following exceptions to these restrictions are permitted:

1. Contact made pursuant to pre-existing contracts or obligations;
2. Contact required by the schedule of events or an event scheduled later by the RFP POC; and
3. Contact required for negotiation and execution of the final contract.

The State reserves the right to reject a bidder's proposal, withdraw an Intent to Award, or terminate a contract if the State determines there has been a violation of these procurement procedures.

C. SCHEDULE OF EVENTS

The State expects to adhere to the procurement schedule shown on the following page, but all dates are approximate and subject to change.

NOTE: All ShareFile links in the Schedule of Events below, are unique links for each schedule step. Please click the correct link for the upload step you are requesting.

Schedule of Events	
ACTIVITY	DATE/TIME
1. Release RFP	September 6, 2023
Last day to submit 1 st round written questions	
2. ShareFile link for uploading questions: https://nebraska.sharefile.com/r-r3e110255b1ba4dd0996f194a131bd67e	September 13, 2023
3. State responds to 1 st round written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: http://das.nebraska.gov/materiel/bidopps.html	September 20, 2023
Last day to submit 2 nd round written questions	
4. ShareFile link for uploading questions: https://nebraska.sharefile.com/r-r0e9de5eec89d42519f23d8aed28e1136	September 27, 2023
5. State responds to 2 nd round written questions through RFP "Addendum" and/or "Amendment" to be posted to the Internet at: http://das.nebraska.gov/materiel/bidopps.html	October 4, 2023
Last day to submit "Notification of Intent to Submit a Proposal"	
6. ShareFile link for uploading Notification of Intent to Submit a Proposal: https://nebraska.sharefile.com/r-r741f11079b434a24a322fb1a8cbfc9e0	October 6, 2023

Schedule of Events		
ACTIVITY		DATE/TIME
7.	<p>Proposal Opening – Online Via Zoom:</p> <p>IT IS THE BIDDER'S RESPONSIBILITY TO UPLOAD ELECTRONIC FILES BY OPENING DATE AND TIME. EXCEPTIONS WILL NOT BE MADE FOR TECHNOLOGY ISSUES.</p> <p>ShareFile Electronic Proposal Submission Link: https://nebraska.sharefile.com/r-ra598e939cd8343438e7389c330bf6e6</p> <p>Join Zoom Meeting https://us02web.zoom.us/j/82982524648?pwd=eC84RndRdlMxL0w3dlU2dk1lZ2pzUT09</p> <p>Meeting ID: 829 8252 4648 Passcode: 564586</p> <p>One tap mobile +13462487799,,82982524648#,,,,*564586# US (Houston) +16694449171,,82982524648#,,,,*564586# US</p> <p>Dial by your location</p> <ul style="list-style-type: none"> • +1 346 248 7799 US (Houston) • +1 669 444 9171 US • +1 669 900 6833 US (San Jose) • +1 719 359 4580 US • +1 253 205 0468 US • +1 253 215 8782 US (Tacoma) • +1 929 205 6099 US (New York) • +1 301 715 8592 US (Washington DC) • +1 305 224 1968 US • +1 309 205 3325 US • +1 312 626 6799 US (Chicago) • +1 360 209 5623 US • +1 386 347 5053 US • +1 507 473 4847 US • +1 564 217 2000 US • +1 646 931 3860 US • +1 689 278 1000 US <p>Meeting ID: 829 8252 4648 Passcode: 564586</p> <p>Find your local number: https://us02web.zoom.us/j/82982524648?pwd=eC84RndRdlMxL0w3dlU2dk1lZ2pzUT09</p>	<p>October 18, 2023 2:00 PM Central Time</p>
8.	Review for conformance to RFP requirements	October 18, 2023 – October 19, 2023
9.	Evaluation period	October 20, 2023 – November 17, 2023
10.	"Oral Interviews/Presentations and/or Demonstrations" (if required)	TBD
11.	Post "Notification of Intent to Award" to Internet at: https://das.nebraska.gov/materiel/bidopps.html	December 8, 2023
12.	Contract finalization period	December 11, 2023 – March 14, 2024
13.	Contract award	March 18, 2024
14.	Contractor start date	4/1/2024

D. WRITTEN QUESTIONS AND ANSWERS

Questions regarding the meaning or interpretation of any Request for Proposal provision must be submitted in writing to State Purchasing Bureau and clearly marked "RFP Number 6819 Z1; Fleet Fuel Card Services Questions". The POC is not obligated to respond to questions that are received late per the Schedule of Events.

Bidders should present, as questions, any assumptions upon which the bidder's proposal is or might be developed. Any proposal containing assumptions may be deemed non-responsive. Non-responsive proposals may be rejected by the State. Proposals will be evaluated without consideration of any known or unknown assumptions of a bidder. The contract will not incorporate any known or unknown assumptions of a bidder.

Questions should be uploaded using the ShareFile link provided in the RFP Schedule of Events, Section I.C. It is recommended that bidders submit questions using the following format:

RFP Section Reference	RFP Page Number	Question

Written answers will be posted at <https://das.nebraska.gov/materiel/bidopps.html> per the Schedule of Events.

E. NOTIFICATION OF INTENT TO SUBMIT A PROPOSAL

Bidders should notify the POC of their intent to attend by submitting a "Notification to Submit a Proposal" (see Form B) by uploading the Form using the ShareFile link provided in the RFP Schedule of Events, Sections 1.C.

A list of bidders who submitted a Notification of Intent to Submit a Proposal will be posted on the Internet at <https://das.nebraska.gov/materiel/bidopps.html>.

F. SECRETARY OF STATE/TAX COMMISSIONER REGISTRATION REQUIREMENTS

All bidders must be authorized to transact business in the State of Nebraska and comply with all Nebraska Secretary of State Registration requirements. The bidder who is the recipient of an Intent to Award may be required to certify that it has complied and produce a true and exact copy of its current (within ninety (90) calendar days of the intent to award) Certificate or Letter of Good Standing, or in the case of a sole proprietorship, provide written documentation of sole proprietorship and complete the United States Citizenship Attestation Form, available on the Department of Administrative Services website at: <https://das.nebraska.gov/materiel/docs/pdf/Individual%20or%20Sole%20Proprietor%20United%20States%20Attestation%20Form%20English%20and%20Spanish.pdf> This should be accomplished prior to execution of the contract.

G. ETHICS IN PUBLIC CONTRACTING

The State reserves the right to reject proposals, withdraw an intent to award or award, or terminate a contract if an ethical violation has been committed, which includes, but is not limited to:

1. Offering or giving, directly or indirectly, a bribe, fee, commission, compensation, gift, gratuity, or anything of value to any person or entity in an attempt to influence the bidding process;
2. Utilizing the services of lobbyists, attorneys, political activists, or consultants to influence or subvert the bidding process;
3. Being considered for, presently being, or becoming debarred, suspended, ineligible, or excluded from contracting with any state or federal entity;
4. Submitting a proposal on behalf of another Party or entity; and
5. Colluding with any person or entity to influence the bidding process, submit sham proposals, preclude bidding, fix pricing or costs, create an unfair advantage, subvert the proposal, or prejudice the State.

The bidder shall include this clause in any subcontract entered into for the exclusive purpose of performing this contract.

Bidder shall have an affirmative duty to report any violations of this clause by the bidder throughout the bidding process and throughout the term of this contract for the awarded bidder and their subcontractors.

H. DEVIATIONS FROM THE REQUEST FOR PROPOSAL

The requirements contained in the Request for Proposal (Sections II thru VI) become a part of the terms and conditions of the contract resulting from this Request for Proposal. Any deviations from the Request for Proposal in Sections II through VI must be clearly defined by the bidder in its proposal and, if accepted by the State, will become part of the contract. Any specifically defined deviations must not be in conflict with the basic nature of the Request for Proposal, requirements, or applicable state or federal laws or statutes. "Deviation", for the purposes of

this Request for Proposal, means any proposed changes or alterations to either the contractual language or deliverables within the scope of this Request for Proposal. The State discourages deviations and reserves the right to reject proposed deviations.

I. PRICES & COST CLARIFICATION

Discount and Price provisions are discussed in Section II. E. & F. The State reserves the right to review all aspects of cost for reasonableness and to request clarification of any proposal where the cost component indicates a significant and unsupported deviation from industry standards or in areas where detailed pricing is required.

J. SUBMISSION OF PROPOSALS

The State is only accepting electronic responses submitted in accordance with this RFP. The State will not accept proposals by mail, email, voice, or telephone, unless otherwise explicitly stated in writing by the State.

Pages may be consecutively numbered for the entire proposal or may be numbered consecutively within sections. Figures and tables should be numbered and referenced in the text by that number. They should be placed as close as possible to the referencing text. The Technical Proposal should not contain any reference to dollar amounts. However, information such as data concerning labor hours and categories, materials, subcontracts and so forth, shall be considered in the Technical Proposal so that the bidder's understanding of the scope of work may be evaluated. The Technical Proposal shall disclose the bidder's technical approach in as much detail as possible, including, but not limited to, the information required by the Technical Proposal instructions.

It is the bidder's responsibility to ensure the RFP is received electronically by the date and time indicated in the Schedule of Events. Proposals must be submitted via ShareFile by the date and time of the proposal opening per the Schedule of Events. No late proposals will be accepted.

It is the responsibility of the bidder to check the website for all information relevant to this RFP to include addenda and/or amendments issued prior to the opening date. The website can be found here: <https://das.nebraska.gov/materiel/bidopps.html>.

Emphasis should be concentrated on conformance to the RFP instructions, responsiveness to requirements, completeness, and clarity of content. If the bidder's proposal is presented in such a fashion that makes evaluation difficult or overly time consuming the State reserves the right to reject the proposal as non-conforming.

1. **Bidders must submit responses via ShareFile using the proposal submission link.**
Note to bidders: Not all browsers are compatible with ShareFile. Currently Chrome, Internet Explorer and Firefox are compatible. After the bidder clicks the proposal submission link, the bidder will be prompted to enter contact information including an e-mail address. By entering an e-mail address, the bidder should receive a confirmation email confirming the successful upload directly from ShareFile.

ShareFile link for uploading RFP response(s) provided in the RFP Schedule of Events, Section I.C.

- a. The Technical, Rebate Proposal and Proprietary information should be uploaded as separate and distinct files.
 - i. If duplicated proposals are submitted, the State will retain only the most recently submitted response.
 - ii. If it is the bidder's intent to submit multiple proposals, the bidder must clearly identify the separate submissions.
 - iii. It is the bidder's responsibility to allow time for electronic uploading. All file uploads must be completed by the Opening date and time per the Schedule of Events. No late proposals will be accepted.
- b. **ELECTRONIC PROPOSAL FILE NAMES**
The bidder should clearly identify the uploaded RFP proposal files. To assist in identification the bidder should use the following naming convention:
 - i. RFP 6819 Z1, Company Name
If multiple files are submitted for one RFP proposal, add number of files to file names:
RFP 6819 Z1 Company Name File 1 of 2.
RFP 6819 Z1 Company Name File 2 of 2.
 - ii. If multiple RFP proposals are submitted for the same RFP, add the proposal number to the file names:
RFP 6819 Z1 Company Name Proposal 1 File 1 of 2.

The "Request for Proposal for Contractual Services" form must be signed manually in ink or by DocuSign and returned by the proposal opening date and time along with the bidder's Request for Proposal and any other

requirements as stated in the Request for Proposal document in order for the bidder's Request for Proposal response to be evaluated.

By signing the "Request for Proposal for Contractual Services" form, the bidder guarantees compliance with the provisions stated in this Request for Proposal.

K. PROPOSAL PREPARATION COSTS

The State shall not incur any liability for any costs incurred by bidder's in replying to this Request for Proposal, including any activity related to bidding on this Request for Proposal.

L. FAILURE TO COMPLY WITH REQUEST FOR PROPOSAL

Violation of the terms and conditions contained in this Request for Proposal or any resultant contract, at any time before or after the award, shall be grounds for action by the State which may include, but is not limited to, the following:

1. Rejection of a bidder's proposal,
2. Withdrawal of the Intent to Award,
3. Withdrawal of the Award,
4. Negative documentation regarding Vendor Performance,
5. Termination of the resulting contract,
6. Legal action; and
7. Suspension of the bidder from further bidding with the State for the period of time relative to the seriousness of the violation. Such period to be within the sole discretion of the State.

M. PROPOSAL CORRECTIONS

A bidder may correct a mistake in a proposal prior to the time of opening by uploading a revised and completed proposal if the original proposal was electronically submitted.

1. If a corrected electronic proposal is submitted, the file name(s) date/time stamped with latest date/time stamp will be accepted. The corrected proposal file name(s) should be identified as:
 - a. Corrected 6819 Z1 Company Name Proposal #1 File 1 of 2,
 - b. Corrected 6819 Z1 Company Name Proposal #2 File 2 of 2, etc.

Changing a proposal after opening may be permitted if the change is made to correct a minor error that does not affect price, quantity, quality, delivery, or contractual conditions. In case of a mathematical error in extension of price, unit price shall govern.

N. LATE PROPOSALS

Proposals received after the time and date of the proposal opening will be considered late proposals. Late proposals will be considered non-responsive. The State is not responsible for proposals that are late or lost regardless of cause or fault.

O. PROPOSAL OPENING

The opening of proposals will be public and the bidders will be announced. Proposals **WILL NOT** be available for viewing by those present at the proposal opening. Proposals will be posted to the State Purchasing Bureau website once an Intent to Award has been posted to the website. Once proposals are opened, they become the property of the State of Nebraska and will not be returned.

P. REQUEST FOR PROPOSAL/PROPOSAL REQUIREMENTS

The proposals will first be examined to determine if all requirements listed below have been addressed and whether further evaluation is warranted. Proposals not meeting the requirements may be rejected as non-responsive. The requirements are:

1. Original Request for Proposal for Contractual Services form signed manually in ink or by DocuSign;
2. Clarity and responsiveness of the proposal;
3. Completed Corporate Overview;
4. Completed Sections II through VI;
5. Completed Technical Approach; and
6. Completed State Rebate Proposal Template.

Q. EVALUATION COMMITTEE

Proposals are evaluated by members of an Evaluation Committee(s). The Evaluation Committee(s) will consist of individuals selected at the discretion of the State. Names of the members of the Evaluation Committee(s) will not be published prior to the intent to award.

Any contact, attempted contact, or attempt to influence an evaluator that is involved with this Request for Proposal may result in the rejection of this proposal and further administrative actions.

R. EVALUATION OF PROPOSALS

All proposals that are responsive to the Request for Proposal will be evaluated. Each evaluation category will have a maximum point potential. The State will conduct a fair, impartial, and comprehensive evaluation of all proposals in accordance with the criteria set forth below. Areas that will be addressed and scored during the evaluation include:

1. Financial Stability
2. Corporate Overview may include, but is not limited to:
 - a. the ability, capacity, and skill of the bidder to deliver and implement the system or project that meets the requirements of the Request for Proposal;
 - b. the character, integrity, reputation, judgment, experience, and efficiency of the bidder;
 - c. whether the bidder can perform the contract within the specified time frame;
 - d. the bidder's historical or current performance; and
 - e. such other information that may be secured and that has a bearing on the decision to award the contract.

In evaluating the corporate overview, the State may consider, past experiences with the vendor, references, the State's record of the vendor which may include, but is not limited to Vendor Performance Notices, Vendor Improvement Requests, vendor performance reports, and any information related to the vendor's historical or current character, integrity, reputation, capability, or performance with the State or a third-party.

3. Technical Approach including but not limited to Attachment A; and,
4. Rebate Proposal.

Neb. Rev. Stat. § 73-107 allows for a preference for a resident disabled veteran or business located in a designated enterprise zone. When a state contract is to be awarded to the lowest responsible bidder, a resident disabled veteran or a business located in a designated enterprise zone under the Enterprise Zone Act shall be allowed a preference over any other resident or nonresident bidder, if all other factors are equal.

Resident disabled veterans means any person (a) who resides in the State of Nebraska, who served in the United States Armed Forces, including any reserve component or the National Guard, who was discharged or otherwise separated with a characterization of honorable or general (under honorable conditions), and who possesses a disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense and (b)(i) who owns and controls a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in (a) of this paragraph and (ii) the management and daily business operations of the business are controlled by one or more persons described in (a) of this paragraph. Any contract entered into without compliance with this section shall be null and void.

Therefore, if a resident disabled veteran or business located in a designated enterprise zone submits a proposal in accordance with Neb. Rev. Stat. § 73-107 and has so indicated on the Request for Proposal cover page under "Contractor must complete the following" requesting priority/preference to be considered in the award of this contract, the following will need to be submitted by the contractor within ten (10) business days of request:

1. Documentation from the United States Armed Forces confirming service,
2. Documentation of discharge or otherwise separated characterization of honorable or general (under honorable conditions),
3. Disability rating letter issued by the United States Department of Veterans Affairs establishing a service-connected disability or a disability determination from the United States Department of Defense; and
4. Documentation which shows ownership and control of a business or, in the case of a publicly owned business, more than fifty percent of the stock is owned by one or more persons described in subdivision (a) of this subsection; and the management and daily business operations of the business are controlled by one or more persons described in subdivision (a) of this subsection.

Failure to submit the requested documentation within ten (10) business days of notice will disqualify the bidder from consideration of the preference.

S. ORAL INTERVIEWS/PRESENTATIONS AND/OR DEMONSTRATIONS

The State may determine after the completion of the Technical and Rebate Proposal evaluation that oral interviews/presentations and/or demonstrations are required. Every bidder may not be given an opportunity to interview/present and give demonstrations; the State reserves the right, in its discretion, to select only the top scoring bidders to present/give oral interviews. The scores from the oral interviews/presentations and/or demonstrations will be added to the scores from the Technical and Rebate Proposals. The presentation process will allow the bidders to demonstrate their proposal offering, explaining and/or clarifying any unusual or significant elements related to their proposals. Bidders' key personnel, identified in their proposal, may be requested to participate in a structured interview to determine their understanding of the requirements of this proposal, their authority and reporting relationships within their firm, and their management style and philosophy. Only representatives of the State and the presenting bidder will be permitted to attend the oral interviews/presentations and/or demonstrations. A written copy or summary of the presentation, and demonstrative information (such as briefing charts, et cetera) may be offered by the bidder, but the State reserves the right to refuse or not consider the offered materials. Bidders shall not be allowed to alter or amend their proposals.

Once the oral interviews/presentations and/or demonstrations have been completed, the State reserves the right to make an award without any further discussion with the bidders regarding the proposals received.

Any cost incidental to the oral interviews/presentations and/or demonstrations shall be borne entirely by the bidder and will not be compensated by the State.

T. BEST AND FINAL OFFER

Each bidder should provide its best offer with their original proposal response and should not expect the State to request a best and final offer (BAFO).

The State reserves the right to conduct more than one BAFO or to not offer every bidder an opportunity to submit a BAFO. If requested by the State, the BAFO must be submitted on the BAFO Rebate Proposal form and in accordance with the State's instructions. Failure to submit a requested BAFO or failure to submit a BAFO in accordance with the State's instructions may result in rejection of the bidder's entire proposal response. BAFOs may be scored and ranked by the Evaluation Committee.

U. REFERENCE AND CREDIT CHECKS

The State reserves the right to conduct and consider reference and credit checks. The State reserves the right to use third parties to conduct reference and credit checks. By submitting a proposal in response to this Request for Proposal, the bidder grants to the State the right to contact or arrange a visit in person with any or all of the bidder's clients. Reference and credit checks may be grounds to reject a proposal, withdraw an intent to award, or rescind the award of a contract.

V. AWARD

The State reserves the right to evaluate proposals and award contracts in a manner utilizing criteria selected at the State's discretion and in the State's best interest. After evaluation of the proposals, or at any point in the Request for Proposal process, the State of Nebraska may take one or more of the following actions:

1. Amend the Request for Proposal,
2. Extend the time of or establish a new proposal opening time,
3. Waive deviations or errors in the State's Request for Proposal process and in bidder proposals that are not material, do not compromise the Request for Proposal process or a bidder's proposal, and do not improve a bidder's competitive position,
4. Accept or reject a portion of or all of a proposal,
5. Accept or reject all proposals,
6. Withdraw the Request for Proposal;
7. Elect to rebid the Request for Proposal;
8. Award single lines or multiple lines to one or more bidders; or,
9. Award one or more all-inclusive contracts.

The Request for Proposal does not commit the State to award a contract. Once intent to award decision has been determined, it will be posted to the Internet at: <https://das.nebraska.gov/materiel/bidopps.html>

Any protests must be filed by a bidder within ten (10) business days after the intent to award decision is posted to the Internet. Grievance and protest procedure is available on the Internet at:
https://das.nebraska.gov/materiel/docs/pdf/ProtestGrievanceWithGuidance_08042021.pdf%20

W. LUMP SUM OR "ALL OR NONE" PROPOSALS

The State reserves the right to purchase item-by-item, by groups or as a total when the State may benefit by so doing. Bidders may submit a proposal on an "all or none" or "lump sum" basis but should also submit a proposal on an item-by-item basis. The term "all or none" means a conditional proposal which requires the purchase of all items on which proposals are offered and bidder declines to accept award on individual items; a "lump sum" proposal is one in which the bidder offers a lower price than the sum of the individual proposals if all items are purchased but agrees to deliver individual items at the prices quoted.

X. REJECTION OF PROPOSALS

The State reserves the right to reject any or all proposals, wholly or in part, in the best interest of the State.

Y. RESIDENT BIDDER

Pursuant to Neb. Rev. Stat. §§ 73-101.01 & 73-101.02, a Resident Bidder shall be allowed a preference against a Non-resident Bidder from a state which gives or requires a preference to Bidders from that state. The preference shall be equal to the preference given or required by the state of the Nonresident Bidders. Where the lowest responsible bid from a resident Bidder is equal in all respects to one from a nonresident Bidder from a state which has no preference law, the resident Bidder shall be awarded the contract. The provision of this preference shall not apply to any contract for any project upon which federal funds would be withheld because of the provisions of this preference.

II. TERMS AND CONDITIONS

Bidders should complete Sections II through VI as part of their proposal. Bidder is expected to read the Terms and Conditions and should initial either accept, reject, or reject and provide alternative language for each clause. The bidder should also provide an explanation of why the bidder rejected the clause or rejected the clause and provided alternate language. By signing the Request for Proposal, bidder is agreeing to be legally bound by all the accepted terms and conditions, and any proposed alternative terms and conditions submitted with the proposal. The State reserves the right to negotiate rejected or proposed alternative language. If the State and bidder fail to agree on the final Terms and Conditions, the State reserves the right to reject the proposal. The State of Nebraska is soliciting proposals in response to this Request for Proposal. The State of Nebraska reserves the right to reject proposals that attempt to substitute the bidder's commercial contracts and/or documents for this Request for Proposal.

The bidders should submit with their proposal any license, user agreement, service level agreement, or similar documents that the bidder wants incorporated in the Contract. The State will not consider incorporation of any document not submitted with the bidder's proposal as the document will not have been included in the evaluation process. These documents shall be subject to negotiation and will be incorporated as addendums if agreed to by the Parties.

If a conflict or ambiguity arises after the Addendum to Contract Award have been negotiated and agreed to, the Addendum to Contract Award shall be interpreted as follows:

1. If only one Party has a particular clause then that clause shall control,
2. If both Parties have a similar clause, but the clauses do not conflict, the clauses shall be read together,
3. If both Parties have a similar clause, but the clauses conflict, the State's clause shall control.

A. GENERAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>With respect to Sections a and d, wherein the State proposes that the RFP and Proposal be included in the contract, U.S. Bank proposes that such written materials are not incorporated into the contract. U.S. Bank does not customarily incorporate the RFP, its Proposal or program implementation details into the contract because these materials are used as a business presentation or work tools and are not material to a binding legal document.</u></p> <p><u>U.S. Bank proposes that either the U.S. Bank Fleet Card Program Agreement be the contract that the parties negotiate certain terms and conditions from this RFP into, or that the U.S. Bank Fleet Card Program Agreement be the controlling document in the order of precedence.</u></p>

1. The contract resulting from this Request for Proposal shall incorporate the following documents:
 - a. Request for Proposal, including any attachments and addenda;
 - b. Amendments to the Request for Proposal;
 - c. Questions and Answers;
 - d. Bidder's properly submitted proposal, including any terms and conditions or agreements submitted by the bidder; and
 - e. Amendments and Addendums to the Contract.

These documents constitute the entirety of the contract.

Unless otherwise specifically stated in a future contract amendment, 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 or Addendum to the executed Contract with the most recent dated amendment or addendum having the highest priority, 2) Amendments to the Request for Proposal, 3) Questions and Answers, 4) the original Request for Proposal document and any Addenda or attachments, and 5) the Contractor's submitted Proposal, including any terms and conditions or agreements that are accepted by the State.

Unless otherwise specifically agreed to in writing by the State, the State's standard terms and conditions, as executed

by the State, shall always control over any terms and conditions or agreements submitted or included by the Contractor.

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			

Bidder 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, return receipt requested; or mailed, return receipt requested. All notices, requests, or communications shall be deemed effective upon receipt.

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 bidder 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 (Nonnegotiable)

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. DISCOUNTS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Prices quoted shall be inclusive of ALL trade discounts. Cash discount terms of less than thirty (30) days will not be considered as part of the proposal. Cash discount periods will be computed from the date of receipt of a properly executed claim voucher or the date of completion of delivery of all items in a satisfactory condition, whichever is later.

F. PRICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>We would redact the redlined clauses below and add the following language:</u></p> <p><u>"U.S. Bank reserves the right to modify the rebate calculations or values due to the actions of third parties. These calculations or values may be modified (i) at any time if existing interchange rates or programs are modified, or if new interchange rates or programs are developed by a card network or (ii) if there has been any movement in the federal funds rate since the award of the contract that has an effect on U.S. Bank's cost of funds. Such modifications, in either case, will apply to the then applicable Rebate Period."</u></p>

Prices quoted shall be net, including transportation and delivery charges fully prepaid by the bidder, F.O.B. destination named in the Request for Proposal. No additional charges will be allowed for packing, packages, or partial delivery costs. When an arithmetic error has been made in the extended total, the unit price will govern. For the purpose of the RFP, the term "price" includes rebates offered by bidders.

All prices, costs, and terms and conditions submitted in the proposal shall remain fixed and valid commencing on the opening date of the proposal until the contract terminates or expires.

~~The State reserves the right to deny any requested price increase. No price increases are to be billed to any State Agencies prior to written amendment of the contract by the parties.~~

~~The State will be given full proportionate benefit of any decreases for the term of the contract.~~

G. BEGINNING OF WORK & SUSPENSION OF SERVICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>We accept the standard language but will add the append the following language to it:</u></p> <p><u>"In the event the State suspends work, the State will remain liable for any obligations incurred prior to the beginning of the suspension."</u></p>

The bidder shall not commence any billable work until a valid contract has been fully executed by the State and the successful Contractor. The Contractor will be notified in writing when work may begin.

The State may, at any time and without advance notice, require the Contractor to suspend any or all performance or deliverables provided under this Contract. In the event of such suspension, the Contract Manager or POC, or their designee, will issue a written order to stop work. The written order will specify which activities are to be immediately suspended and the reason(s) for the suspension. Upon receipt of such order, the Contractor shall immediately comply with its terms and take all necessary steps to mitigate and eliminate the incurrence of costs allocable to the work affected by the order during the period of suspension. The suspended performance or deliverables may only resume when the State provides the Contractor with written notice that such performance or deliverables may resume, in whole or in part.

H. AMENDMENT

This Contract may be amended in writing, within scope, upon the agreement of both parties.

I. CHANGE ORDERS OR SUBSTITUTIONS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The State and the Contractor, upon the written agreement, may make changes to the contract within the general scope of the Request for Proposal. 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.

*****Contractor will not substitute any item that has been awarded without prior written approval of SPB*****

J. RECORD OF VENDOR PERFORMANCE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The State may document the vendor's performance, which may include, but is not limited to, the customer service provided by the vendor, the ability of the vendor, the skill of the vendor, and any instance(s) of products or services delivered or performed which fail to meet the terms of the purchase order, contract, and/or Request for Proposal specifications. In addition to other remedies and options available to the State, the State may issue one or more notices to the vendor outlining any issues the State has regarding the vendor's performance for a specific contract ("Vendor Performance Notice"). The State may also document the Vendor's performance in a report, which may or may not be provided to the vendor ("Vendor Improvement Request"). The Vendor shall respond to any Vendor Performance Notice or Vendor Improvement Request in accordance with such notice or request. At the sole discretion of the State, such Vendor Performance Notices and Vendor Improvement Requests may be placed in the State's records regarding the vendor and may be considered by the State and held against the vendor in any future contract or award opportunity.

K. CORRECTIVE ACTION PLAN

If Contractor is failing to meet the Scope of Work, in whole or in part, the State may require the Contractor to complete a corrective action plan ("CAP"). The State will identify issues with the Contractor's performance and will set a deadline for the CAP to be provided. The Contractor must provide a written response to each identified issue and what steps the Contractor will take to resolve each issue, including the timeline(s) for resolution. ~~If the Contractor fails to adequately provide the CAP in accordance with this section, fails to adequately resolve the issues described in the CAP, or fails to resolve the issues described in the CAP by the relevant deadline, the State may withhold payments and exercise any legal remedy available.~~

L. NOTICE OF POTENTIAL CONTRACTOR BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

M. BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<u>We can accept this as is if the Terms and Conditions of our standard agreement are adopted. U.S. Bank reserves the remedy to suspend or close delinquent accounts.</u>

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 email to the contractor's point of contact with acknowledgement from the contractor, Certified Mail - Return Receipt Requested, or in person with proof of delivery. Allowing time to cure a failure or breach of contract does not waive the right to immediately terminate the contract for the same or different contract breach which may occur at a different time. 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.

The State's failure to make payment shall not be a breach, and the Contractor shall retain all available statutory remedies and protections.

N. NON-WAIVER OF BREACH

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

The acceptance of late performance with or without objection or reservation by a Party shall not waive any rights of the Party nor constitute a waiver of the requirement of timely performance of any obligations remaining to be performed.

O. SEVERABILITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

P. INDEMNIFICATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

1. GENERAL

~~The~~Except to the extent of the State's negligence or willful misconduct, 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, Contractor's indemnity obligations are conditioned upon: (i) the State providing Contractor with prompt notice of any claims; (ii) the State allowing Contractor full control over the defense or settlement of any claims; and (iii) providing reasonable assistance in connection therewith.

2. INTELLECTUAL PROPERTY

~~The~~Except to the extent of the State's negligence or willful misconduct, 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 materially 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 Request for Proposal.

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 their 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. 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. §§ 81-8,239.01 to 81-8,306 for review by the State Claims Board. The State retains all rights and immunities under the State Miscellaneous (Section 81-8,294), Tort (Section 81-8,209), and Contract Claim Acts (Section 81-8,302), as outlined in state law and accepts liability under this agreement only 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.

Q. ATTORNEY'S FEES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

R. LIQUIDATED DAMAGES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	<p><u>U.S. Bank proposes that liquidated damages be capped cumulatively through the life of the contract at one hundred fifty thousand U.S. Dollars (\$150,000.00).</u></p> <p><u>Further, U.S. Bank proposes the following limitation of liability that is standard for all contracts:</u> <u>Limitation of Liability. Neither State nor U.S. Bank, nor any Party's affiliates, representatives, or assigns are in any event liable to the other Party for any consequential, special, indirect, or punitive damages of any nature (including lost profits) even if such Party had been notified of their possible existence.</u></p>

The State and the Contractor(s) agree that actual damages from a failure to perform certain requirements in any contract(s) 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 damage that the State would anticipate as a result of the failure.

In lieu of actual damage, the State, and the Contractor(s) shall agree to a schedule of fees for failure to perform certain requirements in any contract(s) executed to this RFP.

The following is the required schedule of liquidated damages in the form of fees for failure to perform certain requirements.

The fees are categorized as follows:

Standard	\$ 500 per day
High	\$1,500 per day
Critical	\$3,000 per day

Liquidated damages may be charged by the State under this paragraph for each day or partial day the Contractor(s) has failed 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(s) or their agents (example: natural disasters).

1. Unresolved requirements:
 - a. All standard and high category requirements will move to critical level of liquidated damages if not resolved within 48 business hours after notification to the Contractor.
 - b. All critical category requirements will double in liquidated damages if not resolved within 24 hours after notification to the Contractor.
2. Fleet Fuel Card Services:

- a. Issuing cards:
Upon being notified by a Fleet Program Director(s) or Staff that a card or batch of cards were not issues within five business days of the program submitting the request, Contractor will pay to have the cards expedited to the agency. If the cards are not expedited to the agency within two days after the initial notice by the State that the cards were not issued, Contractor will pay liquidated damages.

Category: Standard

- b. Required Electronic Data File Transfer:
Upon being notified by a Fleet Program Director(s) or Staff that the program was not able through the fault of the Contractor, to download, retrieve or receive any card transaction file, the Contractor will either resolve the situations within 24 hours (excluding weekends or holidays) after notification or pay liquidated damages.

Category: High

- c. Transaction Authorization:
Upon being notified by a Fleet Program Director(s) or Staff that a cardholder was not able to receive an authorization for a transaction due to Contractor system failure, the Contractor will either resolve the situation within two (2) hours after notification so the cardholder may use their card for purchases with a transaction authorization or pay liquidated damages.

Category: Critical

S. ASSIGNMENT, SALE, OR MERGER

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

Either Party may assign the contract upon mutual written agreement of the other Party. Such agreement shall not be unreasonably withheld, conditioned or delayed.

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.

T. CONTRACTING WITH OTHER NEBRASKA POLITICAL SUB-DIVISIONS OF THE STATE OR ANOTHER STATE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The Contractor may, but shall not be required to, allow agencies, as defined in Neb. Rev. Stat. § 81-145(3), 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.

U. FORCE MAJEURE

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

Neither ~~Except for the obligation to make payments, 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") that was not foreseeable at the time the Contract was executed. 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.

V. CONFIDENTIALITY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 (j)(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.

W. EARLY TERMINATION

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The contract may be terminated as follows:

1. The State and the Contractor, by mutual written agreement, may terminate the contract, in whole or in part, at any time.
2. The State, in its sole discretion, may terminate the contract, in whole or in part, for any reason upon thirty (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, in whole or in part, 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 in violation of the agreement,
 - h. Contractor has or announces it will discontinue support of the deliverable; and,
 - i. In the event funding is no longer available.

X. CONTRACT CLOSEOUT

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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;~~
- ~~3.1.~~ 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,
- ~~4.2.~~ Cooperate with any successor Contractor, person or entity in the assumption of any or all of the obligations of this contract;
- ~~5.3.~~ Cooperate with any successor Contractor, person or entity with the transfer of information or data related to this contract,
- ~~6.4.~~ Return or vacate any state owned real or personal property; and,
- ~~7.5.~~ 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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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 bidder'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 their 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 request~~ the Contractor to reassign or remove from the project any Contractor or subcontractor employee.

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			Proposer is enrolled in the E-Verify Program administered by the United States Department of Homeland Security.

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 <https://das.nebraska.gov/materiel/docs/pdf/Individual%20or%20Sole%20Proprietor%20United%20State%20Attestation%20Form%20English%20and%20Spanish.pdf>
2. The completed United States Attestation Form should be submitted with the Request for Proposal 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 (Nonnegotiable)

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 Request for Proposal.

D. COOPERATION WITH OTHER CONTRACTORS

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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 Contractor~~ 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 RFP Response (Initial)	NOTES/COMMENTS:
		BH	U.S. Bank has provided our Certificates of Insurance as an attachment to this response as evidence of our coverages.

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 contractors' 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
XCU Liability (Explosion, Collapse, and Underground Damage)	Included
Independent Contractors	Included
Abuse & Molestation	Included
<i>If higher limits are required, the Umbrella/Excess Liability limits are allowed to satisfy the higher limit.</i>	
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
Motor Carrier Act Endorsement	Where Applicable
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	\$5,000,000 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, via email, with a certificate of insurance coverage complying with the above requirements prior to beginning work at:

State of Nebraska Department of Administrative Services
 Attn: Matthew Hansen
 RFP # 6819 Z1
 matthew.hansen@nebraska.gov

Nebraska State Purchasing Bureau
 1526 K Street, Suite 130
 Lincoln, NE 68508

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 and non-renewal of any required insurance policy must be submitted to the contract manager as listed above when issued and a new coverage binder/certificate of insurance 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.

H. ANTITRUST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

I. CONFLICT OF INTEREST

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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 Request for Proposal 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.

J. ADVERTISING

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

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.

K. NEBRASKA TECHNOLOGY ACCESS STANDARDS (Nonnegotiable)

1. The State of Nebraska is committed to ensuring that all information and communication technology (ICT), developed, leased, or owned by the State of Nebraska, affords equivalent access to employees, program participants and members of the public with disabilities, as it affords to employees, program participants and members of the public who are not persons with disabilities.

2. By entering into this Contract, Contractor understands and agrees that if the Contractor is providing a product or service that contains ICT, as defined in subsection K.3. (below) and such ICT is intended to be directly interacted with by the user or is public-facing, such ICT must provide equivalent access, or be modified during implementation to afford equivalent access, to employees, program participants, and members of the public who have and who do not have disabilities. The Contractor may comply with this section by complying with Section 508 of the Rehabilitation Act of 1973, as amended, and its implementing standards adopted and promulgated by the U.S. Access Board.
3. ICT means information technology and other equipment, systems, technologies, or processes, for which the principal function is the creation, manipulation, storage, display, receipt, or transmission of electronic data and information, as well as any associated content. Contractor hereby agrees ICT includes computers and peripheral equipment, information kiosks and transaction machines, telecommunications equipment, customer premises equipment, multifunction office machines, software, applications, web sites, videos, and electronic documents. For the purposes of these assurances, ICT does not include ICT that is used exclusively by a contractor.

L. DISASTER RECOVERY/BACK UP PLAN

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			<u>U.S. Bank has included a copy of our Enterprise Resiliency Plan Overview for the State's review.</u>

The Contractor shall have a disaster recovery and back-up plan, of which a copy should be provided upon request to the State, 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.

M. DRUG POLICY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Contractor certifies it maintains a drug free workplace 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.

N. WARRANTY

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

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 the State, or if Contractor is unable to perform the services as warranted, Contractor shall reimburse the State all 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.

O. TIME IS OF THE ESSENCE

Time is of the essence with respect to Contractor's performance and deliverables pursuant to this Contract.

IV. PAYMENT

A. PROHIBITION AGAINST ADVANCE PAYMENT (Nonnegotiable)

Pursuant to Neb. Rev. Stat. § 81-2403, "[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."

B. TAXES (Nonnegotiable)

The State is not required to pay taxes and assumes no such liability as a result of this Request for Proposal. 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

C. INVOICES

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Invoices for payments must be submitted by the Contractor to the agency requesting the services with sufficient detail to support payment. Additional Invoicing details are provided in Attachment A. Contact information will be provided to awarded bidder during contract finalization period. 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 shall have forty-five (45) calendar days to pay after a valid and accurate invoice is received by the State.**

D. INSPECTION AND APPROVAL

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
BH			

Final inspection and approval of all work required under the contract shall be performed by the designated State officials.

E. PAYMENT (Nonnegotiable)

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.

F. LATE PAYMENT (Nonnegotiable)

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).

G. SUBJECT TO FUNDING / FUNDING OUT CLAUSE FOR LOSS OF APPROPRIATIONS

(Nonnegotiable)

The State's obligation to pay amounts due on the Contract for 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 thirty (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.

H. RIGHT TO AUDIT (First Paragraph is Nonnegotiable)

The State shall have the right to audit the Contractor's performance of this contract upon a thirty (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.

Accept (Initial)	Reject (Initial)	Reject & Provide Alternative within RFP Response (Initial)	NOTES/COMMENTS:
		BH	

The Parties shall pay ~~their-own~~the costs of ~~the~~any audit ~~it~~ requests unless the audit finds a previously undisclosed overpayment by the State. If a previously undisclosed overpayment exceeds one-half of one percent (0.5%) of the total contract billings, or if fraud, material misrepresentations, or non-performance is discovered on the part of the Contractor, the Contractor shall reimburse the State for the total costs of the audit. Overpayments and audit costs owed to the State shall be paid within ninety (90) days of written notice of the claim. The Contractor agrees to correct any material weaknesses or condition found as a result of the audit.

V. PROJECT DESCRIPTION AND SCOPE OF WORK

The bidder should provide the following information in response to this Request for Proposal.

A. PROJECT OVERVIEW

The Nebraska State Treasurer (State Treasurer's Office) is requesting proposals for Fleet Fuel Card Services on behalf of State agencies, governmental entities and political subdivisions that wish to participate under the State's contract.

The State of Nebraska (State) makes no representation that any State agency, municipality, county, or other governmental subdivision will choose to engage these services as the result of this RFP. The combined bidding of all services to the State eliminates the need for additional procurements by individual State agencies. It will be the responsibility of the contractor to contract the cities, counties, and other governmental subdivisions regarding the potential to participate under this contract.

The Fleet Fuel Card Services program will be used to purchase fuel and vehicle related services. As of December 2022, State agencies have approximately 8600 fuel cards and the University has approximately 1200 cards. Currently, there are approximately 2500 cards issued to cities, counties, schools, and community colleges using this contract. Exhibit's 1, 3, 5 and 7 show the transaction history for State Agencies and Exhibit's 2, 4, 6 and 8 show the cities, counties or political subdivisions using the contract. These exhibits show the total transaction dollars, the rebate based on volume, the file turn rebate, along with the total rebate for each agency or entity under the current contract. These represent a historical count and are not a guarantee of future transaction volumes but are provided to benefit the bidders in developing their proposal.

B. PROJECT ENVIRONMENT

The Nebraska Department of Transportation shall administer the fleet card program on behalf of the State agencies. The University of Nebraska Fleet Management will be the point of contact for all University fleet fuel cards.

C. PROJECT REQUIREMENTS

The awarded bidder will be responsible for:

1. Development, testing and implementation;
2. Issuing cards, using unique card numbers;
3. Electronic data file transfer.

D. BUSINESS REQUIREMENTS

Each bidder is responsible to research Nebraska Revised Statutes for their legal responsibilities when doing business with the State. Reference to certain State statutes and the Nebraska Constitution are provided in the RFP but are not all inclusive to the legal requirements of the selected contractor.

1. Neb. Rev. Stat. § 73-506(1) – The State cannot pay for deliverables not received
2. Neb. Rev. Stat. § 73-506(2) – Service contracts with unspecified or unlimited duration
3. Nebraska State Constitution, Article XIII, §3 – Prohibits indemnification and limitations of liability.

E. SCOPE OF WORK

1. BASIC REQUIREMENTS

- a. Each card must be printed with the account number, vehicle or equipment identification number, name of agency, and Nebraska tax exempt number.
- b. Card must be assigned to vehicles, not to a driver.
- c. The State of Nebraska and the University of Nebraska are exempt from all State and Federal sales and excise taxes. The University of Nebraska is exempt from sales tax in NE, FL, IL, KS, MA, MO, ND, and TX. Vendors are to omit these taxes from the billing/invoice.
- d. The vendor must pay for any necessary software updates for:
 - i. Batch file processing;
 - ii. Driver authorization;
 - iii. Uploading fuel conversion codes, and;
 - iv. Uploading card authorization to GASBOY systems.
- e. Card must be capable of privatizing (for internal transaction processing).

- f. Program should be in place by April 1, 2024.
- g. Soft rubber/neoprene card hold key rings should be provided at no cost.
- h. New or replacement cards must be free and include free shipping and tracking information when cards are shipped.
- i. Replacement cards will be issued within five (5) business days.
- j. Administrators of the programs can unlock cards as well as the contractor.
- k. Historical information must be stored for three (3) years after the contract expires.
- l. Initial cards must be issued by program administrators.
- m. The contractor must ensure privacy and security for all data in their environment .
- n. Toll free customer service available 24x7, 365 days per year.
- o. Level III data capture capabilities and reporting, as listed on Exhibit 7.
- p. Redundant systems.

2. STATE OF NEBRASKA PROGRAM

- a. Ordering new or replacement cards will be restricted to the Fuel and Credit Card Systems Manager and their staff at the Nebraska Department of Transportation.
- b. State ID number will be a five (5) digit number.
- c. Contractor must be willing to stagger the deployment of cards, as the State has many expiration dates.
- d. Custom cards must be provided.
- e. State agency drivers are allowed up to five (5) transactions per day, State refueling sites are not included.
- f. State invoices will be received no later than Wednesday for the prior week transactions, received electronically and paid within 10 business days after the file has been received.

3. UNIVERSITY OF NEBRASKA PROGRAM

- a. Ordering new or replacement cards will be restricted to the Fleet Management Director and Fleet Management Administrative Staff.
- b. University ID number will be a six (6) digit number.
- c. Noncustom plastic will be provided.
- d. Contractor must be willing to provide the University with one expiration date on all cards.
- e. University drivers are allowed up to three (3) transactions a day.
- f. University invoices will be received weekly and sent electronically.

F. FUNCTIONAL REQUIREMENTS

Bidders must address the functional requirements in Attachment A, Forms A.2 – A.4

G. PROPOSED RESOLUTION

The State expects the awarded bidder to meet or exceed the levels of services currently provided. Additional details on current service levels and expectations provided in Attachment A. The contractor will work with the State and University staff to research and correct problems in a timely and professional manner throughout the entire contract.

H. PERFORM IMPLEMENTATION

Bidder must provide a detailed description of the implementation process, including a detailed test plan and a sample implementation timeline giving estimated lengths of time. Awarded bidder will be responsible to fully cooperate with current Contractor, State, and University during all phases of the implementation/transition.

I. DELIVERABLES

Bidder should provide a copy of all agreements required to initiate all services listed in this RFP. Bidder agreements shall be edited to include only the services requested in this RFP and not contain language conflicting with the RFP, State law and Section II. Terms and Conditions of the RFP. The rebate proposal should be included with these agreements. This information can be included as a separate section labeled "Deliverables". The bidder understands that alternative terms and conditions may be rejected by the State.

VI. PROPOSAL INSTRUCTIONS

This section documents the requirements that should be met by bidders in preparing the Technical and Rebate Proposal. Bidders should identify the subdivisions of "Project Description and Scope of Work" clearly in their proposals; failure to do so may result in disqualification. Failure to respond to a specific requirement may be the basis for elimination from consideration during the State's comparative evaluation.

Proposals are due by the date and time shown in the Schedule of Events. Content requirements for the Technical and Rebate Proposal are presented separately in the following subdivisions: format and order:

A. PROPOSAL SUBMISSION

1. FINANCIAL STABILITY

The bidder must have financial stability to do business with the State of Nebraska for the length of the contract.

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 statement 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.

Financial stability will be determined by the State Accounting Administrator based on a totality of the circumstances of the firm including, but not limited to,

- a. Total equity,
- b. Equity as a percent of assets,
- c. Cash flow,
- d. Debt coverage ratios,
- e. Earnings,
- f. Analyst opinions,
- g. Pending and potential lawsuits, regulatory actions taken or pending against the firm,
- h. Compliance with regulatory capital requirements,
- i. Management stability,
- j. and other information bearing on the question of whether the firm is financially stable at the present time and can reasonably be expected to be financially stable through the term of the contract.

2. 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.

b. 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.

c. 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.

d. 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.

e. 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 bidder may be disqualified from further consideration in this proposal. If no such relationship exists, so declare.

f. 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 bidder or litigated and such litigation determined the bidder 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.

g. SUMMARY OF BIDDER'S CORPORATE EXPERIENCE

The bidder should provide a summary matrix listing the bidder's previous projects similar to this Request for Proposal 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:

- i. Provide narrative descriptions to highlight the similarities between the bidder's experience and this Request for Proposal. 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 bidder 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.
- ii. Bidder and Subcontractor(s) experience should be listed separately. Narrative descriptions submitted for Subcontractors should be specifically identified as subcontractor projects.

- iii. If the work was performed as a subcontractor, the narrative description should identify the same information as requested for the bidders above. In addition, subcontractors should identify what share of contract costs, project responsibilities, and time period were performed as a subcontractor.

h. 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 Request for Proposal. 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 bidder's understanding of the skill mixes required to carry out the requirements of the Request for Proposal 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.

i. 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.

3. TECHNICAL APPROACH

The technical approach section of the Technical Proposal should consist of the following subsections:

- a. Understanding of the project requirements;
- b. Proposed development approach;
- c. Technical considerations, including Attachment A;
- d. Detailed implementation plan; and
- e. Rebate Proposal.

Form A
Bidder Proposal Point of Contact
Request for Proposal Number 6819 Z1

Form A should be completed and submitted with each response to this Request for Proposal. 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:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

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:	
Bidder Address:	
Contact Person & Title:	
E-mail Address:	
Telephone Number (Office):	
Telephone Number (Cellular):	
Fax Number:	

Form B
Notification of Intent to Submit Proposal
Request for Proposal Number 6819 Z1

Bidder Name:	
Bidder Address:	
Contact Person:	
E-mail Address:	
Telephone Number:	
Fax Number:	

The "Notification of Intent to Attend Pre-Proposal Conference" form should be uploaded using the ShareFile link provided in the RFP Schedule of Events, Section I.C.

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 Request for Proposal and agrees to the terms and conditions unless otherwise indicated in writing, certifies that contractor maintains a drug free workplace, and certifies that bidder is not owned by the Chinese Communist Party.

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.

____ 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 MANUALLY IN INK OR BY DOCUSIGN

BIDDER:	
COMPLETE ADDRESS:	
TELEPHONE NUMBER:	
FAX NUMBER:	
DATE:	
SIGNATURE:	
TYPED NAME & TITLE OF SIGNER:	

Form A.5
Rebate Proposal
6819 Z1

The bidder must address the following in their rebate proposal:

5.1 Quarterly sales rebate – enter the incentive option percentage for each quarterly sales volume listed below and for each year and renewal periods:

VOLUME REBATE PERCENTAGE MATRIX:								
Minimum Quarterly Sales Volume	PERCENT OF SALES REBATE							
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Renewal 1	Renewal 2
\$ 500,000	1.4000%	1.4000%	1.4000%	1.4000%	1.4000%	1.4000%	1.4000%	1.4000%
\$1,000,000	1.4300%	1.4300%	1.4300%	1.4300%	1.4300%	1.4300%	1.4300%	1.4300%
\$1,500,000	1.4600%	1.4600%	1.4600%	1.4600%	1.4600%	1.4600%	1.4600%	1.4600%
\$2,000,000	1.4900%	1.4900%	1.4900%	1.4900%	1.4900%	1.4900%	1.4900%	1.4900%
\$2,500,000	1.5200%	1.5200%	1.5200%	1.5200%	1.5200%	1.5200%	1.5200%	1.5200%
\$3,000,000	1.5500%	1.5500%	1.5500%	1.5500%	1.5500%	1.5500%	1.5500%	1.5500%
\$3,500,000	1.5800%	1.5800%	1.5800%	1.5800%	1.5800%	1.5800%	1.5800%	1.5800%
\$4,000,000	1.6100%	1.6100%	1.6100%	1.6100%	1.6100%	1.6100%	1.6100%	1.6100%
\$4,500,000	1.6400%	1.6400%	1.6400%	1.6400%	1.6400%	1.6400%	1.6400%	1.6400%
\$5,000,000	1.6700%	1.6700%	1.6700%	1.6700%	1.6700%	1.6700%	1.6700%	1.6700%

5.2 Early Pay Incentive - The State normally pays their invoices 10 business days after receiving them and the University normally pays their bills within 30 days after the invoice date. Provide any early pay incentive percentages in the table below.

EARLY PAY INCENTIVE:					
File Turn Days:	Percentage	File Turn Days:	Percentage	File Turn Days:	Percentage
45	0.0000%	29	0.0800%	13	0.1600%
44	0.0050%	28	0.0850%	12	0.1650%
43	0.0100%	27	0.0900%	11	0.1700%
42	0.0150%	26	0.0950%	10	0.1750%
41	0.0200%	25	0.1000%	9	0.1800%
40	0.0250%	24	0.1050%	8	0.1850%
39	0.0300%	23	0.1100%	7	0.1900%
38	0.0350%	22	0.1150%	6	0.1950%
37	0.0400%	21	0.1200%	5	0.2000%
36	0.0450%	20	0.1250%	4	0.2050%
35	0.0500%	19	0.1300%	3	0.2100%
34	0.0550%	18	0.1350%	2	0.2150%
33	0.0600%	17	0.1400%	1	0.2200%
32	0.0650%	16	0.1450%	0	0.2250%
31	0.0700%	15	0.1500%		
30	0.0750%	14	0.1550%		

5.3	Currently the State receives a quarterly rebate deposit. Detail how the bidder can comply and any additional options available to receive the rebate.
	Response: Yes, as your current card provider U.S. Bank has this methodology in place. Please refer to Proposal Exhibit 5, U.S. Bank Financial Proposal for our full financial offering.
5.4	Has the bidder negotiated discounts with accepting merchants? If so, please provide the merchant, how many locations, and the discount options.
	Response: Yes, U.S Bank has a list of merchants that can accommodate discounts, please refer to Question 2.20 for more information on locating merchants within the Voyager Network. Casey's General Stores \$0.03 per gallon discount is already in place for the State of Nebraska (the State). Casey's operates approximately 15 stores in the State.
5.5	Detail any additional options for rebates:
	Response: Please refer to Proposal Exhibit 5, U.S. Bank Financial Proposal for full details regarding rebate options for the State. If the State would prefer an annual rebate, U.S. Bank can comply.

The U.S. Bank
Voyager Fleet
Program

usbank

VOYAGER

Optimize Your Fleet Program for Today and Tomorrow

PRESENTED TO
State of Nebraska
Matt Hansen
Connie Heinrichs

SUBMITTED BY
Mark Hess
Relationship Manager

October 18, 2023
RFP # 6819 Z1



Financial proposal

We are committed to providing competitive financial incentives to the State of Nebraska (the State). The following financial proposal details volume and speed of payment incentives.

We offer you our Voyager Fleet Card and Voyager Mastercard programs for a six-year contract term with the following incentives and fees based on the projections provided by the State. If these assumptions are inaccurate, we reserve the right to revisit our offer.

Performance incentive

We offer the State the opportunity to earn a performance incentive based on net quarterly charge volume¹, net quarterly discount interchange charge volume² and speed of payment. The incentive opportunity has three parts that, while calculated separately, are dependent upon each other. The State must qualify for all parts of the incentive to receive a performance incentive. If the State qualifies, the total incentive payment will be paid quarterly in U.S. dollars.

Performance volume incentive—Standard transactions

At the end of each quarter, we will calculate the net quarterly charge volume for your entire fleet program. The result will be compared to the **standard volume incentive** matrix on the following page to determine the qualifying incentive opportunity.

Performance volume incentive—Discount interchange programs

At the end of each quarter, we will calculate the net quarterly discount interchange charge volume for your entire fleet program. The result will be compared to the **discount volume incentive** matrix on the following page to determine the qualifying incentive opportunity.

Speed of payment incentive

At the end of each quarter, we will calculate the speed of payment performance for the entire fleet card program based on file turn days³. The result will be applied to the **speed of payment incentive** matrix on the following page to determine the qualifying incentive opportunity. The qualifying incentive opportunity will be multiplied by the sum of the net quarterly charge volume and the net quarterly discount interchange charge volume.

¹ Net Quarterly Charge Volume means all charges set forth on the statements furnished for all accounts in an agreement term less non-financial transactions at private sites, cash advances, fees, fraudulent charges, chargebacks, Voyager Maintenance Solution Volume, charges qualifying for discount interchange rates or discount merchant fees and amounts charged-off by U.S. Bank.

² Net Quarterly Discount Interchange Charge Volume means all charges set forth on the statements furnished for all accounts in an agreement term where the rates assessed on particular transactions are less than standard rates. Subcategories subject to differentiated discount volume percentage include transactions processed on large ticket program indicators and transactions assessed at network negotiated rates, all as reasonably determined by U.S. Bank. Transactions subject to Discount Interchange Rate Programs may change from time to time without notification to the State.

³ File Turn Days means the number of days from the date that U.S. Bank posts a charge to the date of payment, inclusive of the beginning and ending dates. File Turn Days Payment Performance means the weighted average File Turn Days for each incentive/rebate period.



Standard Volume Incentive

Net Standard Charge Volume (Quarterly) (US Dollars)	Percentage
500,000	1.4000%
1,000,000	1.4300%
1,500,000	1.4600%
2,000,000	1.4900%
2,500,000	1.5200%
3,000,000	1.5500%
3,500,000	1.5800%
4,000,000	1.6100%
4,500,000	1.6400%
5,000,000	1.6700%

Discount Interchange Volume Incentive

Percentage
0.5000%

File Turn Days Payment Performance must be 45 or less

Credit Losses deducted from Rebate

Fraud Losses absorbed by Issuer

Rebate payment: Quarterly

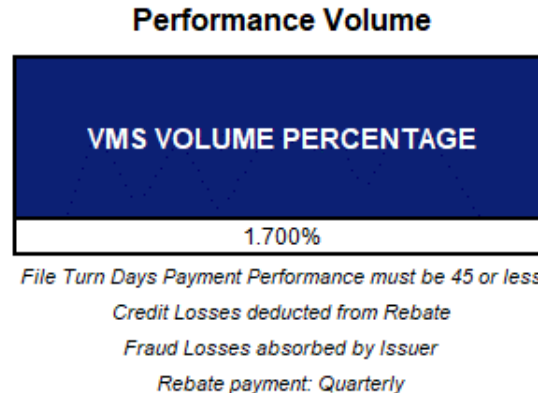
Speed of Payment Incentive

File Turn Days Payment Performance	Performance Percentage	File Turn Days Payment Performance	Performance Percentage	File Turn Days Payment Performance	Performance Percentage
45	0.0000%	29	0.0800%	14	0.1550%
44	0.0050%	28	0.0850%	13	0.1600%
43	0.0100%	27	0.0900%	12	0.1650%
42	0.0150%	26	0.0950%	11	0.1700%
41	0.0200%	25	0.1000%	10	0.1750%
40	0.0250%	24	0.1050%	9	0.1800%
39	0.0300%	23	0.1100%	8	0.1850%
38	0.0350%	22	0.1150%	7	0.1900%
37	0.0400%	21	0.1200%	6	0.1950%
36	0.0450%	20	0.1250%	5	0.2000%
35	0.0500%	19	0.1300%	4	0.2050%
34	0.0550%	18	0.1350%	3	0.2100%
33	0.0600%	17	0.1400%	2	0.2150%
32	0.0650%	16	0.1450%	1	0.2200%
31	0.0700%	15	0.1500%	0	0.2250%
30	0.0750%				



Voyager Maintenance Solution volume incentive

At the end of each quarter, we will calculate the net quarterly Voyager Maintenance Solution volume⁴ for the entire State program. The result will be compared to the following **performance volume** matrix to determine the qualifying incentive opportunity.



Additional conditions

The State’s program must meet the following conditions to qualify for a rebate:

- The speed of payment performance for all account billing statements is equal to or less than 45 file turn days.
- The net quarterly charge volume is equal to or greater than \$500,000.
- Rebate payments must exceed \$3,500 to be paid.

Any payment will be net of charge-offs. Performance incentive payments, if any, will be made within 60 days of the end of the first and each subsequent quarter. We reserve the right to require a security arrangement of the fleet card program if the client financial condition does not meet the minimum credit guidelines.

⁴ Voyager Maintenance Solution volume means charges set forth on the statements furnished for all accounts in an agreement month for transactions processed through the State’s agreement with a merchant provider for the Voyager Maintenance Solution.



Proposed fees

We offer the State a comprehensive fleet card program with the following pricing.

Feature	Fee
Standard Features	
Monthly Card Fee	WAIVED
Inactive Card Fee	WAIVED
Non-Financial Transaction at Private Sites	\$0.20 per occurrence
Foreign Transaction Fee	3% per transaction
Statements:	
▪ Electronic Statement or Report Fee	No Fee
▪ Paper Statement or Report Fee	\$4.95 per occurrence
Card Delivery Fees:	
▪ Standard Card Delivery Fee	No Fee
▪ Expedited Card Delivery Fee	\$20.00 per occurrence
Returned Check Fee	\$35.00 per occurrence
Stop Payment Fee	\$20.00 per occurrence
Late Fee	3.5% of average daily balance
Insufficient Funds Fee	\$20.00 per occurrence
Cardholder Key Rings	WAIVED
Optional Features	
Custom Card Logo Fee (design provided by the State)	\$350.00
U.S. Bank Voyager® Maintenance Solution Service Fee	\$1.00 per transaction
Monthly Voyager Portal Data Analytics Fee (if subscribed)	\$200.00

Disclosures

U.S. Bank appreciates the opportunity to provide a Fleet Financial Proposal for State of Nebraska's fleet program. If this proposal results in a contract award to U.S. Bank, we propose that the Voyager Fleet Agreement govern this relationship. Accordingly, please note that we do not agree to be bound by any of the terms and conditions proposed by State of Nebraska unless and until such terms are incorporated into a final written agreement between the parties. This proposal represents the basis for a proposed business relationship and is not a contract for services. Pricing features herein are valid until December 24, 2023, and will be effective upon signing, or rebate start date, whichever is later. All pricing elements, including incentives, are subject to final credit approval by U.S. Bank, and are subject to change if credit is conditional upon collateral pledge, pre-payment or guarantor.