HOLDCO ASSET MANAGEMENT

The Unsafest and Unsoundest Of Them All – U.S. Bancorp (Ticker: USB)

April 17, 2023

Disclaimer

This presentation (the “Presentation”) is for discussion and general information purposes only, and reflects the current views of HoldCo Asset Management, LP (“HoldCo”). HoldCo may change any of its opinions expressed herein at any time and is under no obligation to update or supplement any information, opinions, or statements contained herein. This Presentation is not investment advice, an investment recommendation, or an offer to buy or sell or the solicitation of an offer to buy or sell any securities, including without limitation any interests in a fund managed by and/or associated with HoldCo.

The views of HoldCo contained in this Presentation are based on publicly available information with respect to Wells Fargo & Company (“WFC”), U.S. Bancorp (“USB”), and certain other institutions discussed herein. HoldCo recognizes that there may be nonpublic information in the possession of WFC, USB, or others that could lead WFC, USB, and others to disagree with HoldCo’s analyses, conclusions, or opinions.

Financial information and data used in the Presentation have been obtained or derived from public filings, HoldCo’s internal estimates and research, industry and general publications, research conducted by third parties and other sources. HoldCo has not independently verified the accuracy of third party data or information in this Presentation, and all information in the Presentation is presented “as is,” without warranty of any kind. HoldCo has not sought or obtained consent from any third parties to use any statements or information indicated in the Presentation as having been obtained or derived from statements made or published by third parties. Any such statements or information attributed to a third party should not be viewed as indicating the support of such third party for the views expressed herein. No agreement, arrangement, commitment, or understanding exists or shall be deemed to exist between HoldCo and any third party by virtue of using such statements or information or furnishing this Presentation.

Except for the historical information contained herein, the matters addressed in this Presentation are forward-looking statements that involve certain risks and uncertainties and are inherently unreliable. All statements herein that are not clearly historical in nature are forward-looking, and the words “may,” “should,” “believe,” “expect,” “will,” “if,” and other similar expressions are generally intended to identify forward-looking statements. These forward-looking statements are based upon certain assumptions we believe to be reasonable and involve significant elements of subjective judgment and analysis. No representation is made that all assumptions have been considered or stated, nor that our assumptions are correct. There can be no assurance that forward-looking statements will materialize or that actual results will not be materially different than those presented.

A fund managed by HoldCo has purchased common stock of WFC and holds a short position in USB through selling short and purchasing put options relating to USB common stock, and consequently has an economic interest in the price of these securities. HoldCo may increase, decrease, or hedge such investment in WFC and USB, or otherwise change the form of such investment, for any or no reason at any time. HoldCo disclaims any duty to provide updates or changes to the manner or type of investment in WFC and USB or any other company, except as required by law.

This Presentation is not intended to be, nor should it be construed as, a marketing or solicitation vehicle for Holdco or any fund managed by HoldCo. Any offer or solicitation may only be made pursuant to a private placement memorandum, agreement of limited partnership, or similar or related documents, which will only be provided to qualified offerees and should be reviewed carefully and in their entirety by any such offerees prior to making or considering a decision to invest in any HoldCo managed fund.

None of HoldCo, its affiliates or their respective directors, officers, employees, shareholders, members, partners, managers or advisors shall be responsible or have any liability to any person in relation to the distribution or possession of this Presentation in any jurisdiction in which it would be unlawful.

Table of Contents

HOLDCO ASSET MANAGEMENT

Executive Summary

- Following the Great Financial Crisis, the largest banks in the U.S. became heavily regulated
- One critically important rule imposed on the seven largest banks was that they were forced to include unrealized losses of "Available for Sale" (AFS) securities in regulatory capital while smaller banks were not
- Then, in late 2019, under Chairman Powell and Vice Chairman of Supervision Randal Quarles (a Trump appointee), the Federal Reserve ("Fed") appears to have caved to large bank lobbying interests and reversed this rule for the fifth, sixth, and seventh largest U.S. banks but not the top four[(a)]
  - In one letter, these three banks audaciously lectured the Fed that inclusion of unrealized losses "runs counter to prudential liquidity requirements and sound asset liability risk management"[(b)] (page 25)
  - Amazingly, the Fed justified this apparent gift to three of the seven largest banks in the country by stating that "the agencies do not believe that the benefits mandatory recognition would provide to market participants sufficiently outweigh the associated burden and compliance costs"[(c)] (page 25)
- The largest of these three beneficiaries, and the fifth largest bank in America today[(a)], is U.S. Bancorp ("USB"), which took immediate advantage of this regulatory relief by engaging in buybacks (page 27) and acquisitions (page 27) and loading up on mortgage-backed securities that plummeted in value when interest rates rose, causing stated CET1 to fall 180bps[(d)]
- A few months ago USB admitted (see page 41) that it has now gotten so big that it is now only a short matter of time before it will become a Category II bank and begin once again including unrealized AFS losses in its capital ratios (page 42)
- Today – any way you slice it – USB has amongst the lowest stated and adjusted capital ratios of any bank in the country
  - Even on its stated figures (which do not include unrealized AFS losses), USB has the 3rd lowest stated CET1 ratio of all 393 publicly traded banks >$1bn (page 31)[(e)]
  - If USB was treated as a Category II bank today (or otherwise calculated capital consistent with how the four largest banks currently do), it would have the lowest CET1 of all of these 393 banks and would fall below the Fed's own mandated CET1 capital requirement of 7% (page 32)[(e)(f)(g)]

The fifth largest bank in the country – an undeniably systemically important bank that carries a national deposit footprint spanning a majority of states – has been allowed by the Fed to hold shockingly low amounts of capital relative to assets

(a) Unless otherwise noted, whenever the size of a bank is mentioned throughout this presentation, HoldCo is ranking by and referring to deposits.
(b) USB's letter to the Fed/FDIC/OCC, "Proposals to Tailor the Regulatory Capital and Liquidity Requirements and Certain Enhanced Prudential Standards."
(c) Federal Register, "Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements."
(d) From 3Q 2021 to 4Q 2022, USB's CET1 ratio dropped from 10.2% to 8.4%.
(e) See footnote (a) on page 5 that describes the 393 banks included for comparison. As described in such footnote, includes CET1 ratios disclosed with respect to the primary bank subsidiary for certain banks not obligated to calculate or file parent company capital ratios.
(f) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. Ranked against all other CECL adjusted reported CET1 ratios.
(g) Federal Reserve, "Large Bank Capital Requirements", 08/22.

HOLDCO ASSET MANAGEMENT

Executive Summary (cont'd)

- We see false narratives:
  - USB's management appears to operate as "business as usual" and acts like it may be buying back stock early next year (page 70) all as it currently pays a massive dividend that ranks in the 94th percentile of all publicly traded banks above $1 billion in assets (page 39)[(b)]
  - USB's supporters, including prominent research analysts, have regurgitated that narrative (page 70)
  - The Fed, apparently to distract from its central responsibility in USB's unsafe capital levels, has played up the partially correct narrative that the lesson of the current banking crisis is regulatory reform of regional banks of a size similar to Silicon Valley Bancorp and Signature Bank even though USB's stated and adjusted capital ratios[(c)] are worse than those banks (page 38)
- We believe underneath these self-serving accounts is a story rooted in basic calculations which casts a black mark on the Fed, the relationship between regulators and lobbyists, and the U.S. banking system at large
- Recently we have all witnessed the second and third largest bank failures in U.S. history, and we are not even in recession
  - Taxpayers will lose substantial money[(d)] after SIVB's capital raise failed, then SBNY failed, and a third bank (First Republic) seemingly cannot raise capital at any price and has slashed its common and preferred dividends to zero
  - This is in the context of a strong economy even as the Fed now forecasts a "mild recession"[(e)]
- Real actions are required before a recession – potentially at the same time as high rates – makes capital raises more difficult
  - The Fed must act like a real regulator and force USB to (a) cut its dividend and cease buybacks for years and/or (b) raise substantial capital immediately
  - The Fed should modify its stress tests to reflect their own CECL methodology and reflect current or higher rates (page 43/47)
  - Until the Fed corrects its errors with respect to the country's fifth largest bank, it cannot be credible as a banking regulator
    - » The Fed, under Vice Chair Michael Barr (a Biden appointee), knows it and we believe he will act accordingly (page 48/61)[(f)]
  - The rating agencies must be more rigorous in their ratings methodology to USB and a downgrade is warranted

Until the five largest banks in the U.S. are safe and sound, the U.S. banking system will not be safe and sound

(a) USB 3Q22 Earnings Call: "…our expectation and what we have been signaling in the past is that we would start our share buyback program once we get to that 9% [CET1 ratio]. So about 4 quarters." USB 4Q22 Earnings Call: "…we are starting about at a good spot, about 8.4% CET1. We expect that to accrete up to at or above 9% by the end of next year."
(b) The universe of these banks and calculations are described in detail in footnote (a) on page 39.
(c) Based on CET1 including AOCI/CECL, CET1 including AOCI/CECL & HTM Losses, and CET1 including AOCI/CECL & Stress Test Losses. See page 5 and page 23 for more detail.
(d) Though recovery in the form of special assessment primarily impacts banks, costs may be passed on to their taxpaying customers.
(e) FOMC Minutes dated 3/21/23 to 3/22/23.
(f) Michael Barr, Barr Testimony: "I anticipate the need to strengthen capital requirements for firms over $100 billion." Dated 3/27/23.

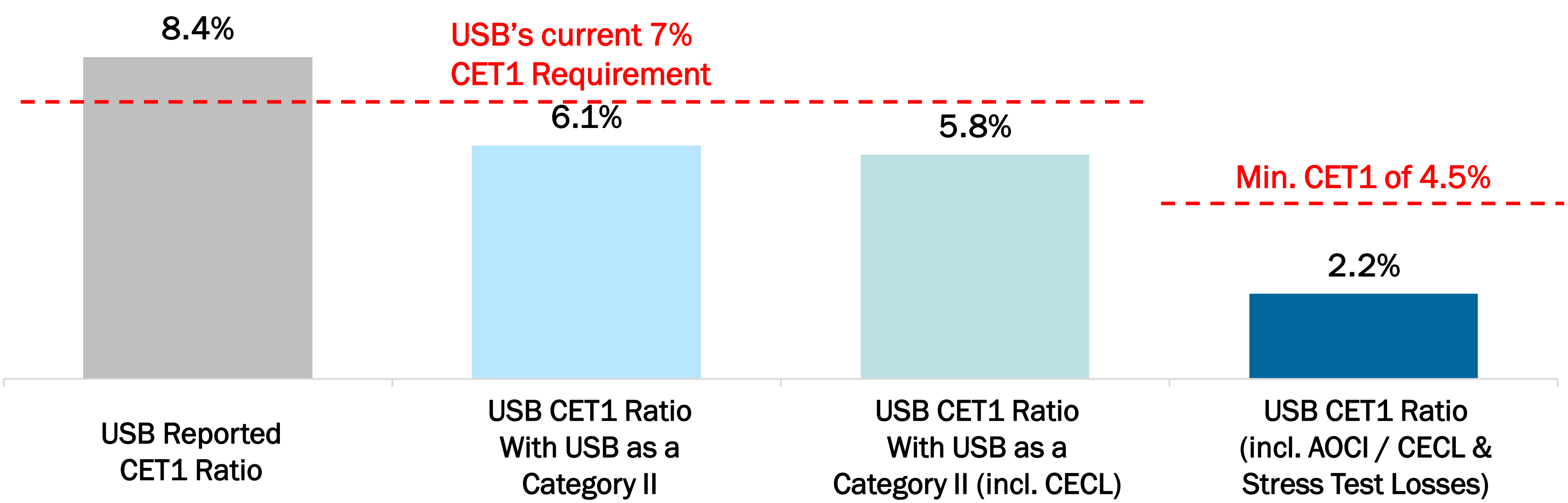
Executive Summary (cont'd)

When analyzing all publicly traded banks above $1Bn that report CET1 ratios[(a)], USB's capital ratios look abysmal when compared to the Broader Industry (393 Banks)[(a)]

- If USB was treated as a Category II Bank today, it would rank **dead last** among all 393 publicly traded banks with assets greater than $1 billion

USB CET1 Ratios vs. Broader Industry (>$1Bn in Assets; 393 Publicly Traded Banks)

Compared to the Broader Industry, USB's reported CET1 ranks 391 out of 393[(a)]	With USB as a Category II, compared to the Broader Industry, USB ranks dead last at 393 out of 393[(a)(b)]	Even when adjusting the Broader Industry's CET1 for AOCI/CECL, USB still ranks low at 386 out of 393[(a)(c)]	And when we adjust for stress test losses, USB ranks 391 out of 393[(a)(d)]



Source: Company Filings, S&P Capital IQ Pro, Federal Reserve.

Note: Data as of 4Q22.

(a) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Ranked against all other reported CET1 ratios.

(c) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. Ranked against all other CECL/AOCI adjusted CET1 ratios.

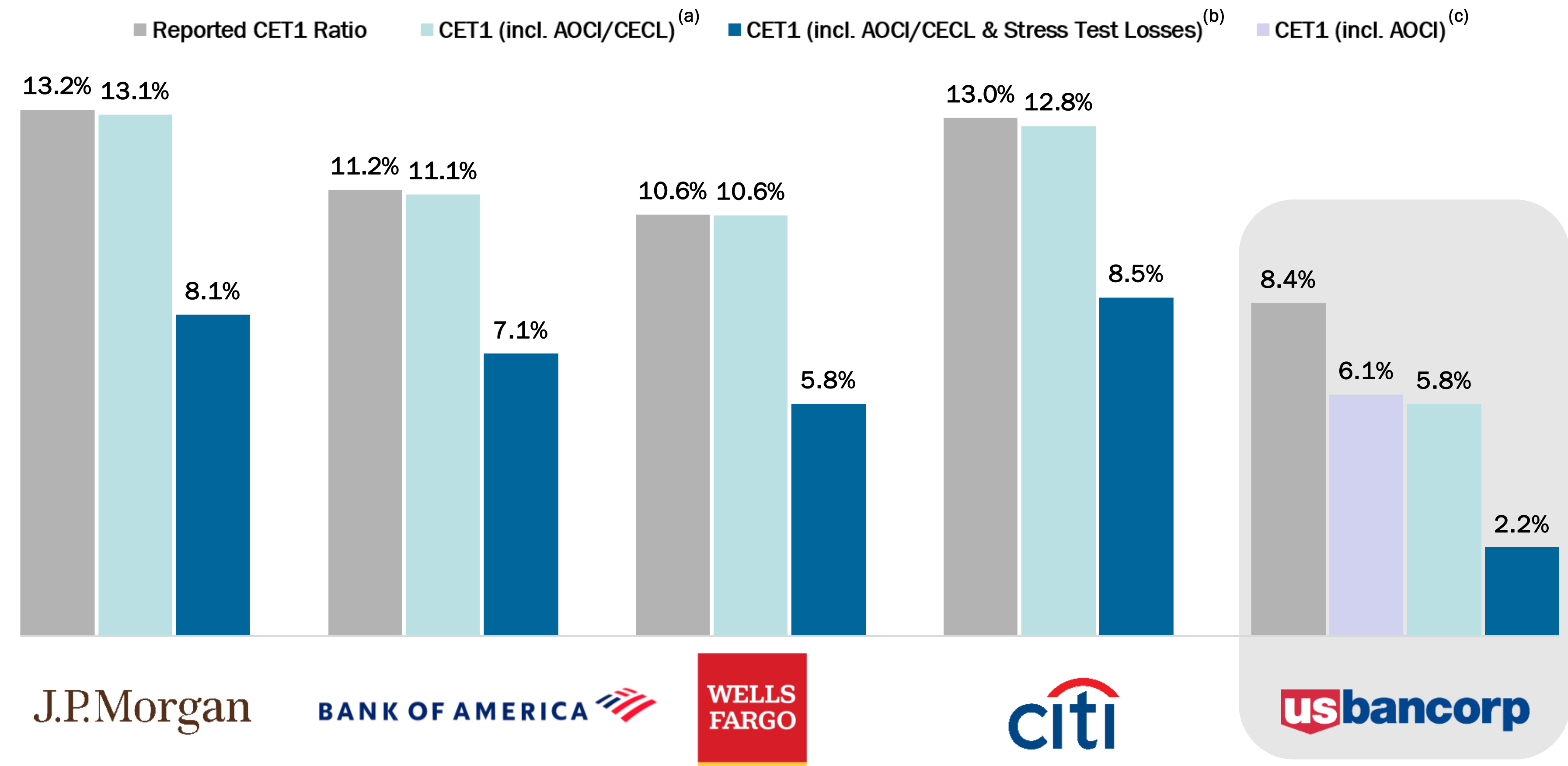
(d) Based on the HoldCo Stress Test Methodology described in footnote on page 43.

Executive Summary (cont'd)

When analyzing only the 5 largest banks in the nation, USB's capital ratios fall significantly short of its largest competitors, including the uncannily similar Wells Fargo

- With already low capital ratios and on the cusp of AOCI realization, USB should raise capital before a potential recession and potentially even higher rates threaten to erode what capital it currently has

Top 5 Banks by Deposits – CET1 Ratios



Source: *Company Filings, S&P Capital IQ Pro, Federal Reserve.*

Note: Data as of 4Q22.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made.

(b) Based on the HoldCo Stress Test Methodology described in footnote on page 43.

(c) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged.

HOLDCO
ASSET MANAGEMENT

Executive Summary (cont'd)

USB's capital levels, when construed from various vantage points, are pathetic

- We encourage the reader of this presentation to spend a few minutes perusing pages 5 and 6 and observe that the fifth largest bank in the country apparently has – through what appears to be superhuman lobbying of the Federal Reserve in recent years – put itself in the impressively unenviable position of:
  - Having the 3rd lowest stated CET1 ratio[a] of all 393 banks greater than $1 billion in assets
  - Having the lowest CET1 ratio[a][b] of these banks if USB was treated as a Category II bank today or otherwise calculated capital consistent with how the four largest banks currently do
  - Seeing its CET1 ratio fall below its 7% Fed-mandated CET1 requirement if AOCI is included in capital
  - Seeing its Fed-mandated CET1 requirement rise from 7% to 8.7% if HoldCo's stress test methodology is applied even before the potential imposition of a future G-SIB buffer (see page 49)
    - Importantly, having the distinction of being the only top 5 bank that would "fail" this Stress Test (and do so miserably) and fall below 4.5% minimum capital levels
    - And that such Stress Test would push its bank subsidiary into real danger of falling below 2% TCE/TA, a level that is deemed critically undercapitalized by the FDIC and indicative of a potential failure
  - Having a significantly lower stated and adjusted CET1 ratio when compared to the largest four banks
    - Given the uncanny structural similarities between USB and Wells Fargo (pages 17-21), the discrepancies in their capital bases (page 22/23), capital requirements (page 24), and historical regulatory treatment (25-27) are striking
  - To the extent that the Fed determines to include losses in the held-to-maturity portfolio within CET1, falling into a disastrous circumstance where CET1 ratio – even before credit losses associated with a potential future recession – will fall below 4.5% minimum (page 59)

Source: Company Filings, S&P Capital IQ Pro, FDIC, Federal Reserve.

(a) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. Ranked against all other CECL adjusted reported CET1 ratios.

(c) Stress test metrics calculated by HoldCo assume immediate impact of AOCI and CECL phase-in on CET1. For 33 banks that are subject to the Fed's 2022 Stress Test, loan losses are estimated based on each bank's disclosed loss rate per loan category, per the 2022 Federal Reserve Stress Test Results, using 2022Q4 balances. For all other banks, loan losses are based on the total loss rate per loan category across the 33 banks. Assumes the same other losses including credit losses on investment securities, trading and counterparty losses and other losses/gains as shown in the 2022 Federal Reserve Stress Test Results for the 33 banks, but assumes no other losses, aside from loan losses, for all the other banks. Stress test loan and other losses within this analysis tax adjusted using a 21% tax rate.

Executive Summary (cont'd)

USB's heroic efforts to avoid mandatory inclusion of AFS unrealized losses in regulatory capital and pursue a minimize-capital strategy will come to a sudden and unceremonious end

- After the Global Financial Crisis, the country's seven largest banks were both forced to include AFS unrealized losses in their respective calculations of regulatory capital
  - In contrast, banks below $250 billion – a cohort which included the failed SIVB/SBNY– were not required to do so
- In July 2017, Randal Quarles was nominated by Donald Trump to be the Vice Chair for Supervision of the Fed
- Apparently sensing an opportunity for a return to the "good old days", USB lobbied the Fed and stated in a letter[(a)] that they "strongly support the proposal to allow Category III banking organizations to opt out of the requirement to include AOCI in regulatory capital" as shown on page 25
- In rules passed in late 2019, the Fed decided in conjunction with other regulatory agencies to unilaterally exempt USB from various regulatory burdens including the requirement to include AFS unrealized losses into capital
  - However, the Fed continued to require the four largest banks to comply
- USB subsequently took proactive measures to cut regulatory capital ratios significantly while maximizing profits:
  - Sought approval from the Fed to repurchase stock and spent $3.3Bn repurchasing stock in 2020, 2021, and 2022
  - All while paying substantial dividends to shareholders (USB's dividend payout is the 94th percentile, see page 39)
  - Announced and received Fed approval to consummate a massive acquisition, thus growing its asset base by ~36% from 2019 to 2022 including a 31% growth in loans which could come back to bite USB if we enter a recession (page 28)
  - Loaded up on long-dated, fixed rate MBS at the exact wrong time and grew its MBS portfolio by ~21% from 2019 to 2022
- Between 3Q2021 and 4Q2022, USB's reported CET1 ratio (which excludes unrealized losses) fell from 10.2% to 8.4%
- USB's 2021 acquisition would have taken it above the $700 billion threshold at which point it would cease to be a "Category III" institution and become a "Category II" Institution – a threshold that would require it to adhere to some of the requirements of WFC including the inclusion of unrealized losses in regulatory capital
  - USB was apparently willing to accept these costs for the benefits of growth
- However, with the sudden rise in interest rates in 2022 and the ensuing spike in USB's unrealized losses, inclusion of unrealized losses suddenly looked a lot less appetizing
- In the days before the acquisition closed in late 2022, USB quickly sold off assets and stayed barely under $700 billion
- USB admits that this only slightly delays the inevitable transition (page 41) – and with a Biden Nominee (Michael Barr) as the Fed's new Vice Chair of Supervision – it appears that USB's swashbuckling days are numbered

Source: Company Filings, S&P Capital IQ Pro, FDIC, Federal Reserve, OCC.

(a) USB's letter to the Fed/FDIC/OCC, "Proposals to Tailor the Regulatory Capital and Liquidity Requirements and Certain Enhanced Prudential Standards."

Executive Summary (cont'd)

We believe USB pretends that its capital levels are unaffected by its soon-to-be Category II status and deliberately confuses the public into believing that share buybacks are about to begin anew

- As shown on page 70, USB's CEO has made repeated statements that appear to be purposely ambiguous, indicating that its current (non-Category II) CET1 ratio of 8.4% is the appropriate ratio to focus on even though USB is near-certain to become a Category II institution in short order at which point its unrealized AFS losses will impact capital
  - If such unrealized losses as well as transitional impacts to CECL were to impact capital today, its CET1 ratio would be 5.8%, which is 320bps below its 9% stated target, a target that it has had since 3Q2021 and would be 120bps below its Fed-mandated minimum CET1 requirement[a]
- USB's management has indeed suggested that it may well be buying back stock as early as next year (page 70)
  - All while paying a monster dividend (USB's dividend payout ratio 94th percentile of >$1bn publicly traded banks)[b]

And although the chorus of USB's supporters, including "smart" Wall Street research analysts, echo the chant, we believe that this will likely change once facts become clear

- We do not understand why these research analysts appear to fail to do the basic math themselves
  - Goldman Sachs, for example, states that "We expect USB to resume share repurchases from 1Q24, which remains consistent with management commentary."[c]
  - Goldman issues a model indicating that dividends continue and share buybacks begin on 1Q24
  - These analysts will likely adjust their views shortly
- Similarly, the rating agencies will likely revise their outlook and downgrade USB in the future
  - Moody's, for example, is currently applying a methodology surrounding "capital" and "liquidity" based upon which Silicon Valley Bank would have performed phenomenally well
  - As shown on pages 71-75, this will unlikely continue and we expect USB's ratings to be downgraded

Source: *Company Filings, S&P Capital IQ Pro.*

(a) "We continue to expect that our share repurchase program will be deferred until our CET1 ratio reaches 9.0% following the pending deal close." - USB CFO, 2Q22 Earnings Call.

(b) The universe of these banks is described in detail in footnote (a) on page 39.

(c) Per Goldman Sachs Research report on 2/26/2023.

Executive Summary (cont'd)

Even Under the Current Rules and Flawed Stress Test Methodology, USB Should Raise Capital

- Under the Fed's current framework, USB's AOCI-adjusted CET1 ratio (and even more so if CECL exclusions are phased in) falls below its Fed-mandated 7% minimum CET1 ratio and USB's 9% management target (page 5)
  - This alone will mandate a dividend cut and capital raise
- It is widely acknowledged that previous annual Fed-run stress tests are incredibly flawed – a fact Barr agrees with – and we believe that this is likely to change in the upcoming 2023 Fed-run stress test (see pages 43):
  - Barr acknowledges the laughability of the fact that Fed-run stress tests that are designed to model a "severely adverse" economic scenario do not come close to reflecting the high interest rate environment we find ourselves in today, much less the risk that rates rise from here (page 43)
    - Industry leaders like Jamie Dimon have said the same (page 43)
  - Furthermore, the Fed has itself acknowledged that its stress tests do not properly reflect CECL loss accounting which all banks have been subjected to for years
  - When HoldCo runs a simulated stress test incorporating these two adjustments, even when we do not modify the Fed's own 2022 assumptions for credit/trading losses, it quickly becomes clear that USB has bigger problems[a]
    - USB's Stressed Capital Buffer (SCB) rises from 2.5% to between 4.2% and 4.9% (pages 49/50)
    - USB's Fed-mandated minimum CET1 rises from 7% to between 8.7% and 9.4% (pages 49/50)
    - Application of a 200bps management buffer would result in a target ratio of 10.7% to 11.4% (page 53)
    - One doesn't need to do much more math to realize that a dividend cut and massive capital raise will be in order
- Even if requiring the fifth largest bank to raise capital would be embarrassing for the Fed, it is the right thing to do
  - The lessons of SIVB/SBNY/FRC require that banks that have capital/solvency like USB need to raise capital before future problems make raising capital more difficult, and presently a recession may be near (page 54)
  - In light of these facts, inaction by the Fed with respect to the fifth largest U.S. bank – particularly since its 2019 rule change was the match that lit the fire – would be worse than tragic

Source: Federal Reserve.

(a) Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for Interest Rate Assumption where we assume either 0bps or 100bps rate increase which affects the fair value of the AFS securities

Executive Summary (cont'd)

Under Potential Future Rules, USB's Capital Needs Only Grow

- As new Fed Vice Chair Michael Barr – a Biden appointee – looks to overturn the actions of his predecessor (see quotes on page 57 indicating his repulsion to those actions), USB will likely not only bear the regulatory requirements of a Category II institution under the current rules, but also a new set of rules and a greater set of regulatory requirements which will likely be imposed in the future in what can only be described as a classic regime change
  - Barr will be releasing preliminary recommendations on May 1st
  - Stress tests will be run in the next few months
  - Given USB's status as a top-5 bank with a national footprint, and in light of the Fed's invocation of the systemic risk exception in the context of recent failures, the imposition of a G-SIB buffer of at least 75bps would be appropriate (page 61) which would meaningfully increase USB's Fed-mandated CET1 requirement
  - Held-to-maturity losses and other solvency concepts that can render a bank unable to sell itself or raise capital in a time of need should be considered by regulators in the context of minimizing taxpayer losses (see pages 58/63)
- Ultimately, we do not believe that USB's "special treatment" relationship with the Fed will continue
  - This is not one of the thousands of community banks in the country that can or should be romanticized
  - Rather, it is a systemically important, top-5 national bank that is severely capital-constrained due to management apparently pursuing a minimize-capital-at-all-costs strategy that has been encouraged and embraced by the Fed
  - We do not believe Barr will allow this conduct to persist in the aftermath of SIVB/SBNY/FRC
  - USB's current dividend and stock repurchase aspirations should be eliminated immediately
  - A near-term and substantial capital raise – which can be accomplished now but may not be so easy in the context of a recession - to irrefutably establish the Fed's credibility as a regulator and widespread confidence that the top 5 U.S. banks have strong capital should be brought to bear

Source: Federal Reserve.

HOLDCO
ASSET MANAGEMENT

I. Who We Are

HOLDCO
ASSET MANAGEMENT

HoldCo and its Principals Have Substantial Experience Investing in U.S. Banks Since the Financial Crisis…

- HoldCo was founded in 2011 by Vik Ghei and Misha Zaitzeff and has $1.2 billion regulatory assets under management ("AUM") as of March 31, 2023
- HoldCo has a long history of investing in large banks, regional banks and small banks as well as other financial assets (corporate credit, structured credit, and event-driven equity instruments)
- Over the last decade, HoldCo has invested in bank stocks as large as JP Morgan (that has a $407Bn market capitalization) and as small as First IC Corporation (that has current capitalization of $57MM) but has always steered clear of USB and large "super-regional" banks due to capital inadequacy concerns

2008: Principals shorted regional banks

2009: Principals went long select super-regional bank equities and mega-cap credit

2010: Principals invested in FDIC-assisted failed bank recapitalizations

2010: Principals evaluated (but passed on) dozens of non-failed bank recapitalizations

2011: HoldCo was formed in connection with a spin-off of investments made in dozens of distressed debt instruments issued by failed bank holding companies

2013–2015: Fund I invested approximately 93% of its capital commitments in bank-related credit including stressed and distressed situations involving activism

2015–2017: Fund II invested approximately 41% of its capital commitments in bank-related credit including stressed and distressed situations involving activism

2016: Pursued public short activist campaign with First NBC Bank (FBNC), which subsequently failed on 4/28/17

2017–2019: Principals made no investments in banks due to valuation concerns and sold a majority of Fund II's positions

2021: Fund III invested approximately 90% of its capital commitments in bank equity positions

2021: Pursued public activist campaign against SVB Financial's (SIVB) acquisition of Boston Private (BPFH), noting SIVB's shares were significantly overvalued

2022: Fund IV sells over 75% of Fund III's bank positions in March 2022 and sells the vast majority of the remaining bank positions by May 2022.

2022–2023: Fund IV invests approximately 88% of capital called in bank-related credit/equity investments

2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023

Note: Timeline as of 3/31/2023, market cap. data as of 4/14/2023. Activities prior to 2011 represent the Principals' experience prior to forming HoldCo or its related entities. Activities prior to 2010 relate solely to Mr. Ghei's experience.

HOLDCO
ASSET MANAGEMENT

...Including Numerous Complex Situations Involving Inadequately Capitalized U.S. Banks...

The Times-Picayune | nola.com | The New Orleans Advocate

First NBC Bank's parent company files for bankruptcy protection

BY RICHARD THOMPSON | rthompson@theadvocate.com MAY 11, 2017 - 7:30 PM 3 min to read

Last summer, HoldCo Asset Management, which owns the fund that is First NBC's second-largest unsecured creditor, became a leading critic of First NBC, questioning in a series of public letters the bank's management and accounting practices, especially of tax credit-related projects.

"We don't think any research analyst who covers your stock truly understands this tax business, its accounting treatment, its regulatory treatment or its economic value," HoldCo said in an Aug. 12 letter.

That letter also suggested the bank needed to raise at least $300 million to improve its capital level.

HoldCo's qualms grew strong enough that it began "shorting" First NBC stock at the same time it was an investor, meaning that it would profit if shares continued to fall in value.

At the time, First NBC dismissed HoldCo's critiques, calling them "nothing but a cheap attempt to put FNBC into bankruptcy in order to acquire the company on the cheap."

Coming after First NBC's failure, the bankruptcy petition is hardly a shock. After the April 28 seizure, First NBC Bank was acquired by Mississippi-based Hancock Holding Co., the parent company of Whitney Bank, in a deal that included $1.6 billion in deposits and $1 billion in better-performing assets, including $600 million in cash.

S&P Global Market Intelligence

NASHVILLE NOTES >

First NBC provides a bank investing primer BLOG

Tuesday, November 8, 2016 6:35 PM ET

By Jeff K. Davis

If you have not read HoldCo Asset Management's Oct. 25 letter to the board of directors of First NBC Bank Holding Co., it is a wickedly good read for bank investors and a reminder to pay close attention to a bank's assets and the parent company's liquidity and capital structure. That may be an obvious statement given what transpired during 2008-2010, but greed and fear are powerful emotions, and the fear of the crisis has passed. Carrying the thought a step further, investors should always review a

First NBC's former chief, Ashton Ryan, indicted on bank fraud and conspiracy charges

BY ANTHONY MCAULEY | STAFF WRITER PUBLISHED JUL 10, 2020 AT 10:00 PM | UPDATED JUL 10, 2020 AT 11:51 PM 8 min to read

While regulators were slow to see the cracks in the First NBC facade, a group of hedge fund investors did spot the dangers early and were among the first to ring alarm bells.

They included Vik Ghei and Misha Zaitzeff, who run a New York fund that specializes in sniffing out companies with trouble lurking in their accounts. In 2015, they thought there was something fishy about the value First NBC put on tax credits it owned, including the tax breaks available for investment to rehabilitate historic New Orleans buildings after Katrina.

The hedge fund managers wrote a series of public letters to the bank's management. They asked probing questions about the tax credits and balance sheet.

"Given your unique position as perhaps the worst capitalized bank in the country above $1 billion in assets, do you need to raise additional capital?" was one of many aimed at Ryan and First NBC.

The spotlight triggered a rout in the bank's stock that took it from a high of nearly $42 a share at the end of 2015 to just above $5 a share a year later. It also brought renewed scrutiny from regulators who eventually found the bank to be insolvent and shut it down.

THE WALL STREET JOURNAL.

First NBC Bank's Troubles Mount

An investor betting against the bank's stock says it should consider a pre-packaged bankruptcy

By Rachel Louise Ensign
Oct 25, 2016 12:49 pm ET

Shares of the troubled New Orleans-based bank fell about 18% Tuesday after an investor who is both a holder of the firm's debt and betting against its stock suggested the bank should consider a pre-packaged bankruptcy filing.

HoldCo Asset Management released a public letter on Tuesday morning suggesting a prepacked filing that would wipe out holders of First NBC's common stock would be the best solution to the bank's ongoing financial struggles. HoldCo said that its proposed bankruptcy plan, where it would also provide $30 million of new equity for the bank, would be a solution.

New Orleans's Premier Bank, First NBC, Runs Into Problems

Tax credits from reconstruction projects lead to questions about earnings, capital levels and accounting

The bank's problems this year led an investment firm that owns the bank's debt, HoldCo Asset Management, to bet against the stock. This, the firm said, was initially a way to hedge against the prospect of default by the bank. HoldCo also released public letters questioning the bank's accounting.

AMERICAN BANKER

"External pressure is compounding internal issues at First NBC Bank Holding in New Orleans....The $4.8 billion-asset company, which has been grappling with financial-reporting problems and problematic energy loans for months, must now confront an investor's claim it needs to raise $300 million in capital over the next two years...HoldCo Asset Management, a New York firm that owns $8 million in First NBC subordinated debt, made the claim in an Aug. 12 letter to Ashton Ryan Jr., the banking company's chairman, president and chief executive. HoldCo, which is run by Vik Ghei and Misha Zaitzeff, asserted that First NBC will suffer when Basel III is fully implemented in 2018.

Source: https://www.nola.com/article_d16b35b2-a890-51a9-9ee5-466ad1ddcf4e.html; https://www.nola.com/news/business/article_da207b0a-c14a-11ea-801a-b73e0decdfce.html; https://blogs.wsj.com/moneybeat/2016/10/25/first-nbc-banks-troubles-mount/; https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#news/article?id=38307230&keyproductlinktype=2; https://www.wsj.com/articles/new-orleanss-premier-bank-first-nbc-runs-into-problems-1476664871

HOLDCO
ASSET MANAGEMENT

…And More Recently Warning Boston Private Shareholders Against Being Acquired by SVB Financial

FT FINANCIAL TIMES

FT Alphaville SVB Financial Group + Add to myFT

The activist hedge fund who warned early about Silicon Valley Bank

HoldCo Asset Management said two years ago that SVB's valuation was inflated

HoldCo Asset Management saw it coming. **Sujeet Indap** MARCH 13 2023

In January 2021, Silicon Valley Bank announced it was acquiring Boston Private, a listed wealth manager. The deal offered Boston Private $2.10 per share in cash and 0.0228 in Silicon Valley Bank shares, the latter being worth just under $9 per share at the time of the January 2021 announcement.

HoldCo, which owned 5 per cent of Boston Private at the time, argued in March 2021 that Boston Private shareholders should vote down the deal; among other reasons, it said SVB shares were vastly overvalued and liable to come back to earth. With the latest news from the weekend, it is worth reviewing some interesting slides from their publicly shared deck at the time.

Here HoldCo says SVB got the halo of being a tech stock, not a bank stock:

REUTERS

Investor opposes Boston Private's sale to SVB Financial

JAN 27, 2021 8:15AM EST
Written by **Svea Herbst-Bayliss**

BOSTON, Jan 27 (Reuters) - Investment firm HoldCo Asset Management is challenging Boston Private Financial Holdings Inc's BPFH.O board over its decision to sell itself to SVB Financial SIVB.O for $900 million, according to two people familiar with the matter.

HoldCo, a 10-year old New York-based investment firm that owns roughly 4.9% of Boston Private, is expressing its concern over the bank's proposed sale by nominating five directors to its eight-member board, the sources said.

BE BANKING EXCHANGE

Boston Private Investor Opposes Silicon Valley Bank Merger

HoldCo Asset Management says shareholders should vote against deal following ISS report

04/19/2021 - 18:26 | Written by Banking Exchange staff

An investor in Boston Private Financial Holdings (BPFH) has urged shareholders to reject its proposed merger with SVB Financial Group.

SVB, the parent company of Silicon Valley Bank, announced on January 4, 2021 that it had entered into a definitive merger agreement to acquire BPFH.

HoldCo Asset Management, which owns 4.9% of the shares in BPFH, issued a statement in response to the publication of a *"cautionary"* report by Institutional Investor Services (ISS) that raised several concerns relating to the transaction process and valuation of the planned deal.

In its statement, HoldCo said: *"ISS's rare 'cautionary support' recommendation for the merger gives significant credence to the concerns we have expressed. Further, in its report ISS makes numerous points that would seem to support a vote against the merger.*

"We continue to believe that shareholders would be better off under any scenario other than the merger. Shareholders should not vote in favor of a transaction that is the product of a non-existent sales process and highly conflicted negotiations, and that grossly undervalues the company."

S&P Global Market Intelligence

HoldCo urges other Boston Private shareholders to reject SVB Financial deal

Wednesday, March 24, 2021 3:29 AM ET
By Rica Dela Cruz
Market Intelligence

"Boston Private Financial Holdings Inc. shareholders HoldCo Opportunities Fund III LP, VM GP VII LLC, HoldCo Asset Management LP, VM GP II LLC, Vikaran Ghei and Michael Zaitzeff urged co-shareholders to vote against the company's pending deal with Santa Clara, Calif.-based SVB Financial Group…

In a proxy statement, the shareholders said they strongly oppose the company's merger proposal, as well as the compensation proposal and adjournment proposal connected to the merger agreement. The merger undervalues Boston Private and is "ill-advised" and not in the best interests of the company's shareholders, according to the shareholders."

BOSTON BUSINESS JOURNAL

Banking & Financial Services

Boston Private investor blasts 'management-friendly' SVB deal

By Greg Ryan – Senior Reporter, Boston Business Journal
Jan 5, 2021

"One of Boston Private Financial Holdings Inc.'s largest shareholders on Tuesday publicly criticized the company's proposed $900 million sale to the parent of Silicon Valley Bank, expressing concern that executives are prioritizing themselves over shareholders.

HoldCo Asset Management LP published a letter to Boston Private CEO Anthony DeChellis and chairman Steve Waters taking issue with the deal, which was announced on Monday. HoldCo, a New York fund manager with a focus on bank investments, holds an approximately 4.9% stake in Boston Private (Nasdaq: BPFH), according to the letter…"

Source: S&P Global Market Intelligence, https://www.ft.com/content/9886dca2-b751-4573-ae2a-d4b4b390dded; https://www.bizjournals.com/boston/news/2021/01/05/boston-private-investor-blasts-svb-deal.html; https://m.bankingexchange.com/news-feed/item/8658-boston-private-investor-opposes-silicon-valley-bank-merger; https://www.nasdaq.com/articles/investor-opposes-boston-privates-sale-to-svb-financial-sources-2021-01-27

HOLDCO
ASSET MANAGEMENT

II. Comparing USB to Wells Fargo

HOLDCO
ASSET MANAGEMENT

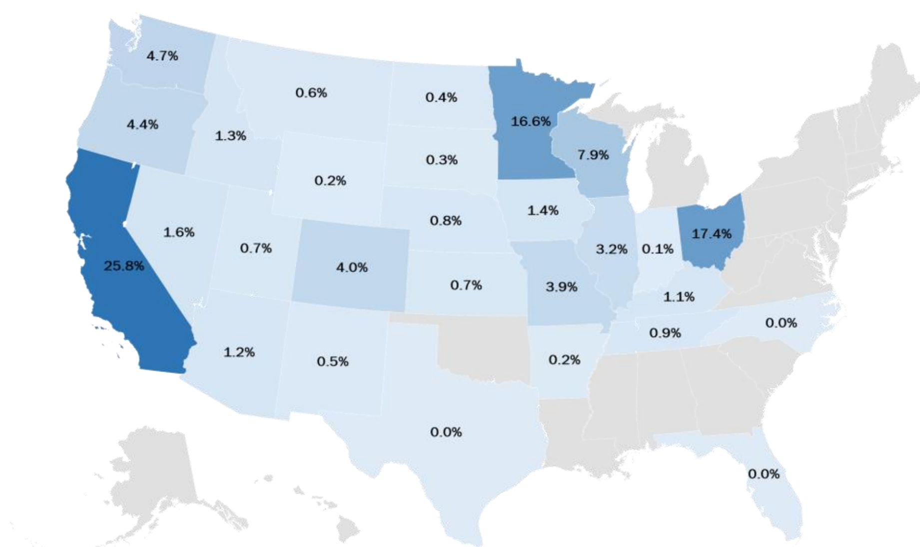
We Choose to Compare Wells Fargo and USB Because In Many Ways They are Uncannily Similar…

WFC and USB, ranked by deposit size as the fourth and fifth largest banks, respectively, also share a similar geographic footprint and primarily engage in lending and gathering deposits

- Both nearly 100% domestic businesses, California comprises about one fourth of each bank's deposit base
- WFC and USB were founded in 1852 and 1863, respectively

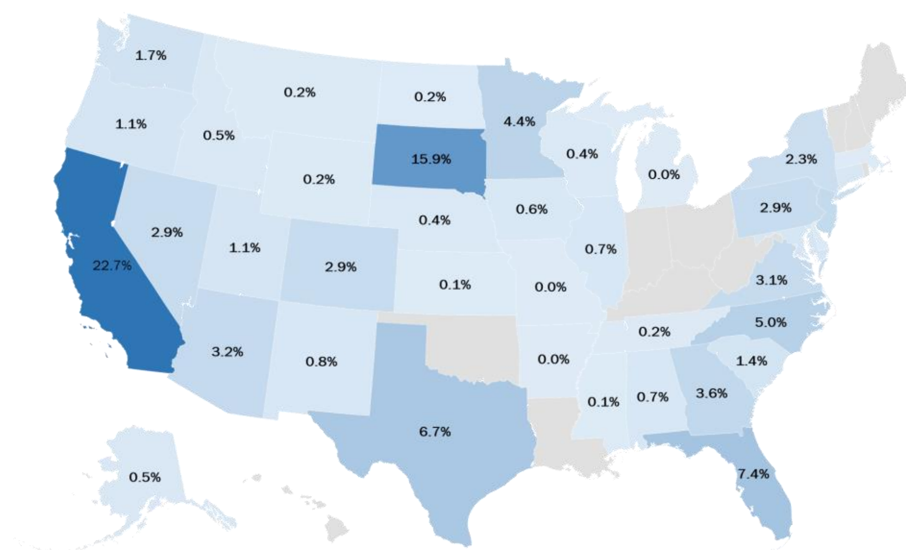
USB's Deposit Base Spans 27 States

% of Total Deposits



WFC's Deposit Base Spans 37 States

% of Total Deposits



Source: Company Filings, S&P Capital IQ Pro.

Note: Deposit market data as of 2022 per S&P.

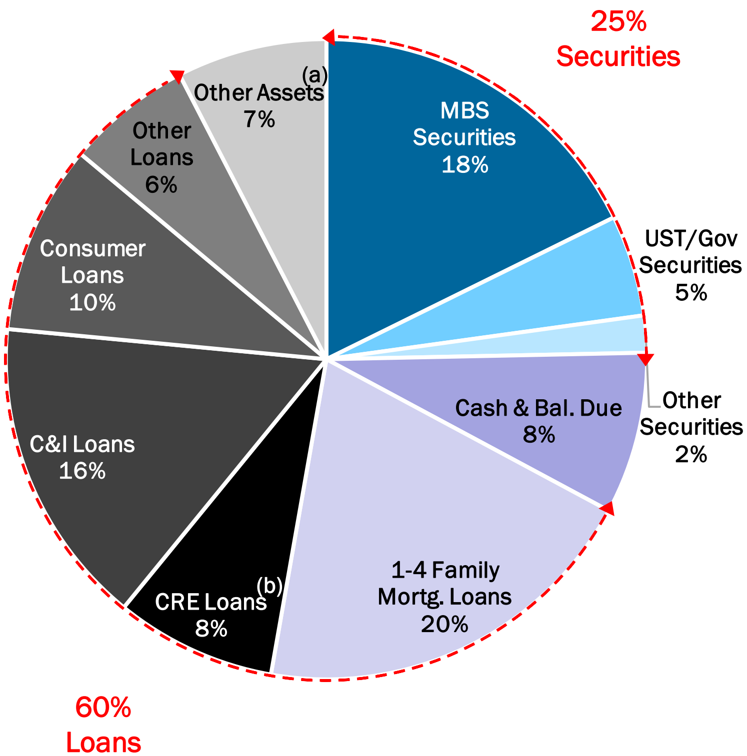
HOLDCO ASSET MANAGEMENT

…From the Underlying Components of their Portfolios…

USB and WFC's portfolios have very similar characteristics, with similar exposures to long-dated 1L mortgage/MBS and commercial real estate

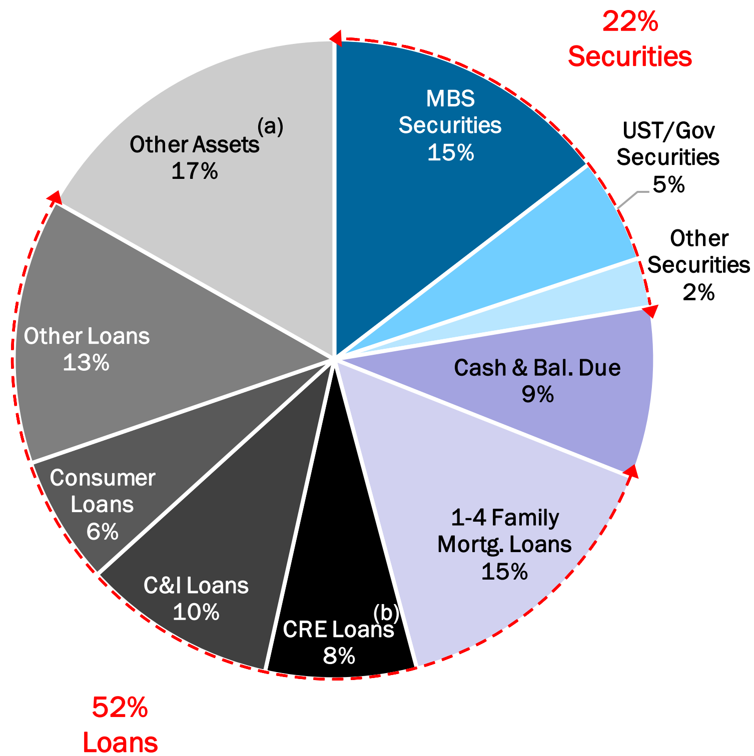
USB Portfolio Composition

Problem Assets	
CRE Loans[b] / TCE[c]	179%
MBS Sec. & 1-4 Fam. Mortg. Loans / TA[c]	37%



WFC Portfolio Composition

Problem Assets	
CRE Loans[b] / TCE[c]	105%
MBS Sec. & 1-4 Fam. Mortg. Loans / TA[c]	29%



Source: Company Filings, S&P Capital IQ Pro.

Note: Data as of December 31, 2022. Charts above represent regulatory asset categories and sum to total assets excluding intangible assets.

(a) Other Assets includes all other tangible assets; Fixed Assets, Investments in Unconsolidated Subsidiaries & Joint Ventures, OREO, and Other Assets.

(b) CRE Loans includes Construction & Land Development, Multifamily, and Commercial RE (Nonfarm/NonRes) per regulatory filings.

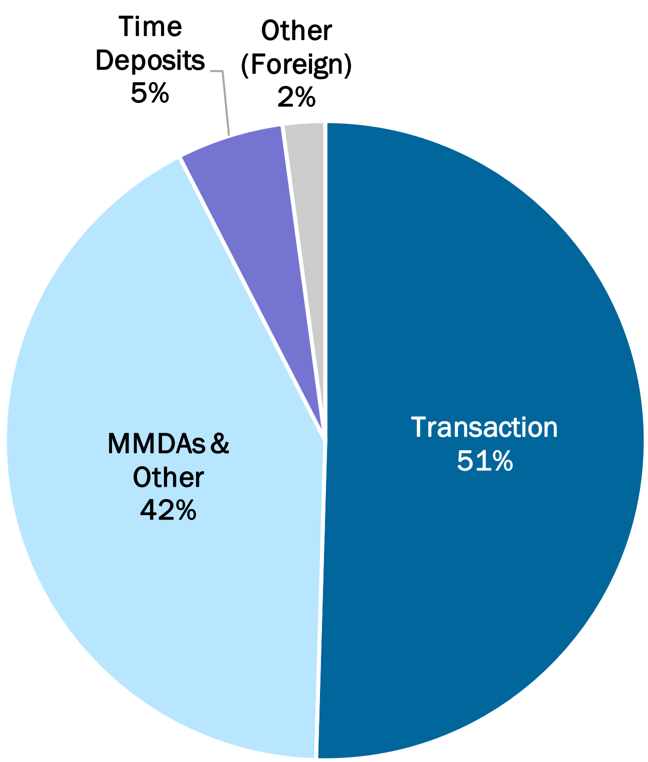
(c) Tangible common equity and tangible assets calculated based on figures reported in the 10K filing.

…To the Quality of the Deposit Bases…

Both are quality deposit bases, although WFC's are more retail-oriented and less rate-sensitive

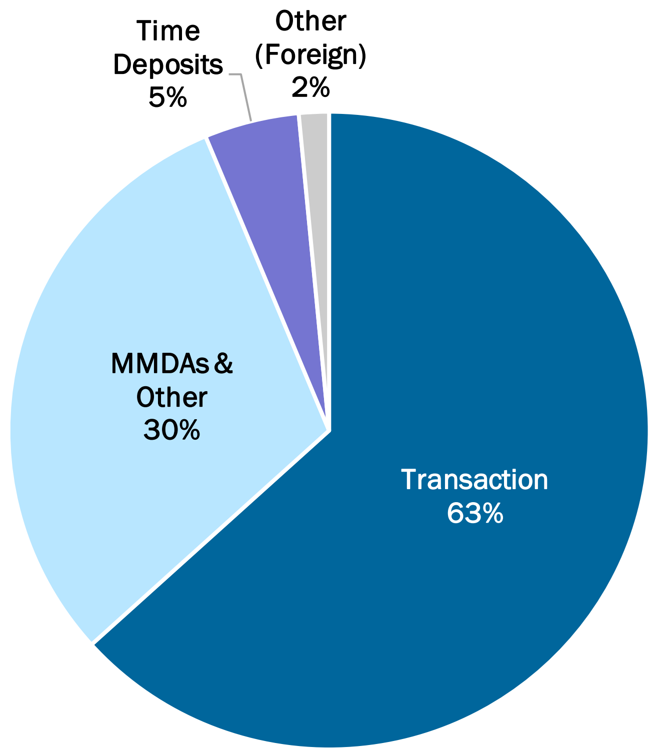
USB Deposit Composition

Key Metrics	
Est. Retail Deposits[a]	44%
Noninterest-Bearing Deposits	26%
Current Cycle IB Deposit Beta[b]	31%



WFC Deposit Composition

Key Metrics	
Est. Retail Deposits[a]	62%
Noninterest-Bearing Deposits	33%
Current Cycle IB Deposit Beta[b]	19%



Source: Company Filings, S&P Capital IQ Pro, Wall Street Research.

Note: Data as of December 31, 2022. Charts above represent regulatory deposit categories and sum to total deposits (including domestic & foreign).

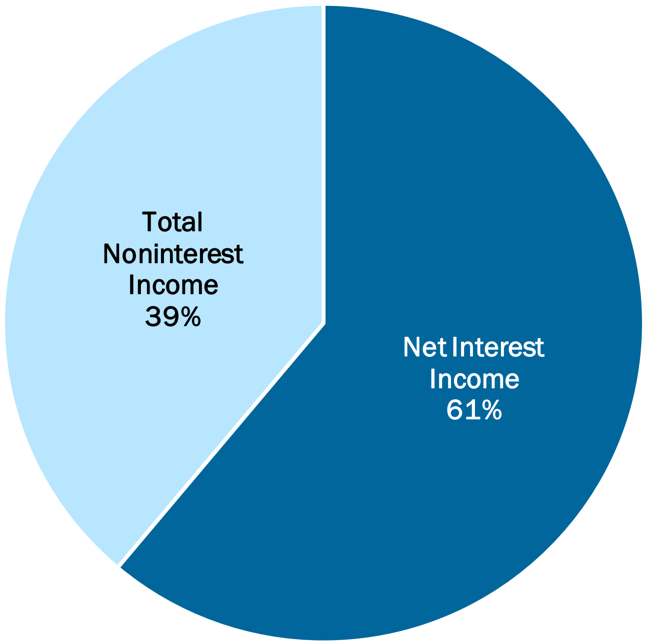
(a) Calculated using same methodology as RBC report "US Banks - Deposits, Deposits on the Wall, Who Are the Fairest of Them All? Part II" (9/15/2022), which is based on retail deposit outflows and other retail funding outflows as a percentage of average total deposits per each bank's LCR disclosures.

(b) Calculated from 4Q21 to 4Q22 using the average Fed Funds rate and IB Deposit Costs for each quarter.

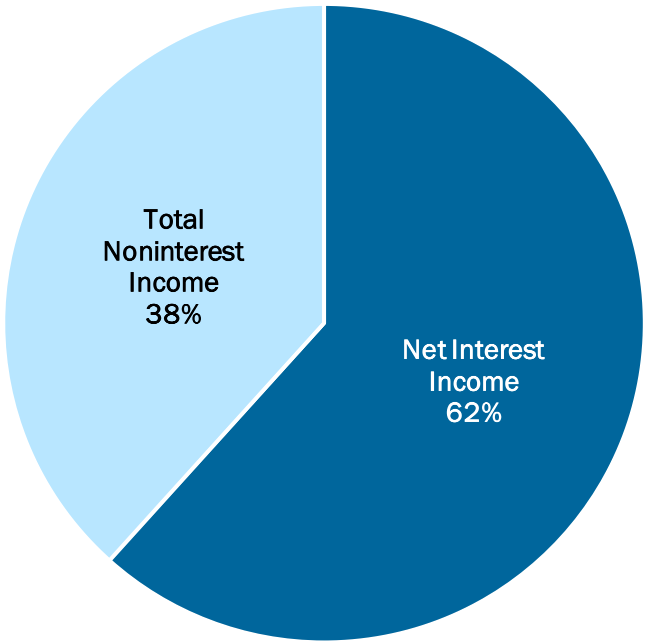
...To the Composition of Revenue Sources...

USB and WFC have nearly the exact same mix of non-interest (fee) income relative to total revenue

USB Revenue Composition (2022)



WFC Revenue Composition (2022)



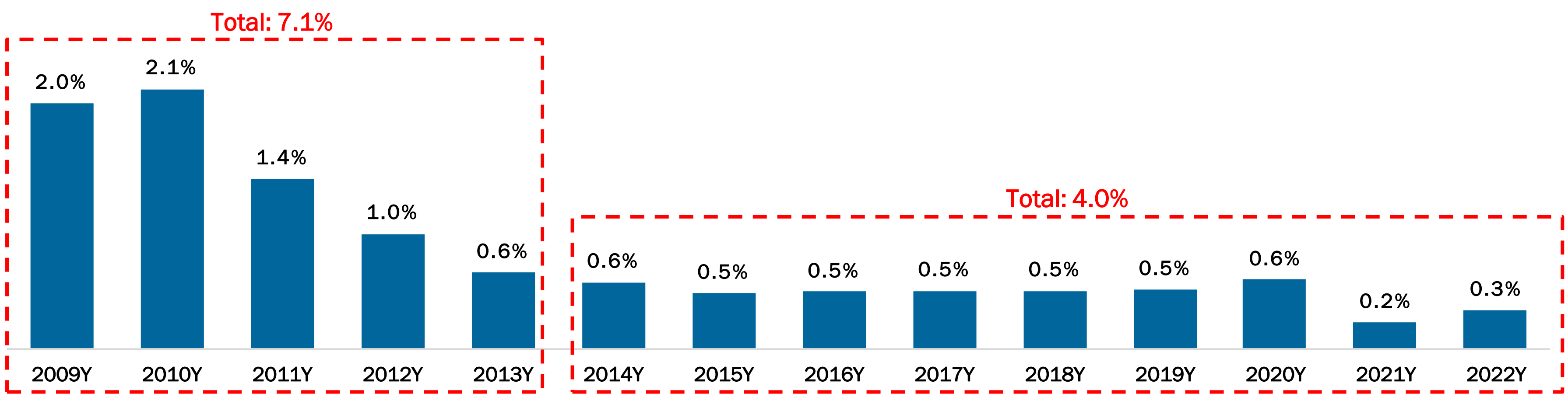
Source: Company Filings, S&P Capital IQ Pro.

Note: Charts above represent regulatory non-interest income and net interest income categories for the full year 2022.

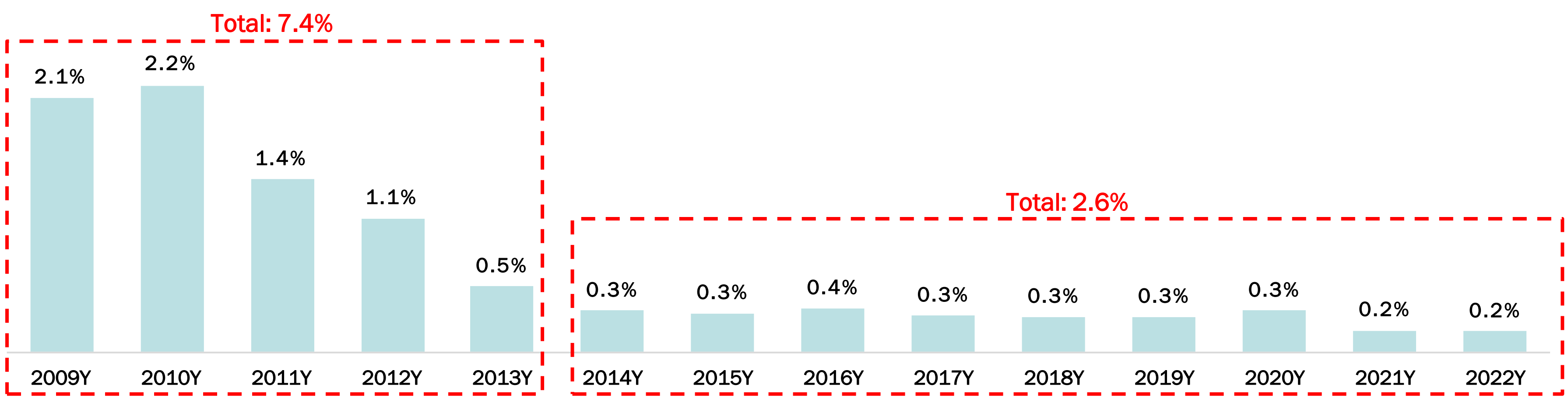
…To Historical Credit Performance Following the GFC…

Both firms experienced similar losses following the 2008 Financial Crisis, although WFC's loan portfolio has outperformed USB's in recent years

USB Net Charge-Offs / Average Loans



WFC Net Charge-Offs / Average Loans



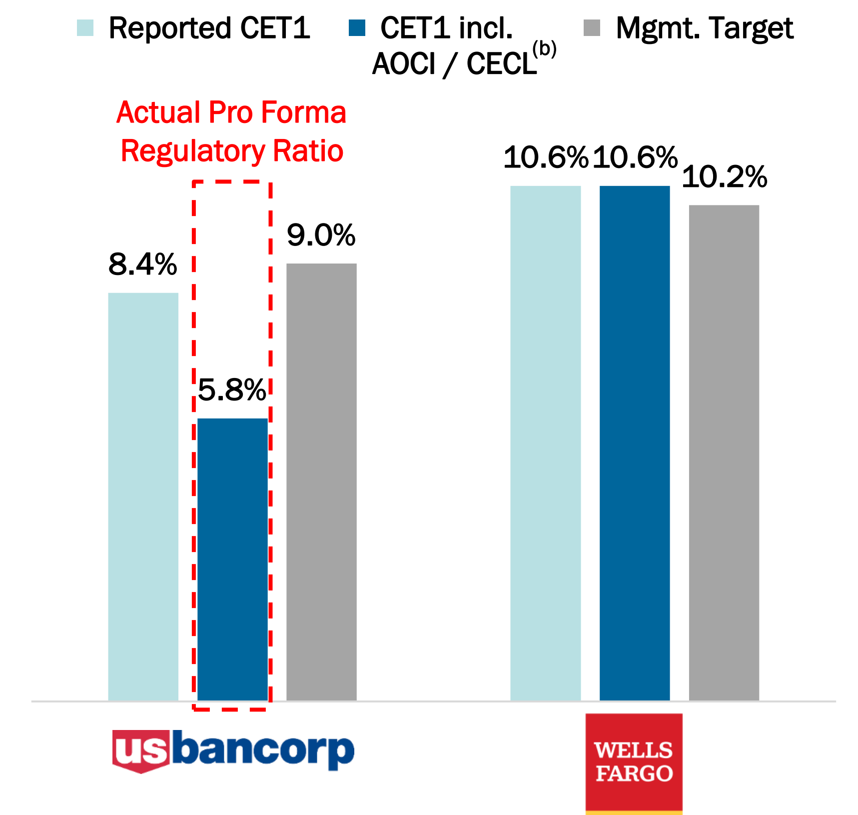
Source: Company Filings, S&P Capital IQ Pro.

…But the Capital Bases are Not the Same…

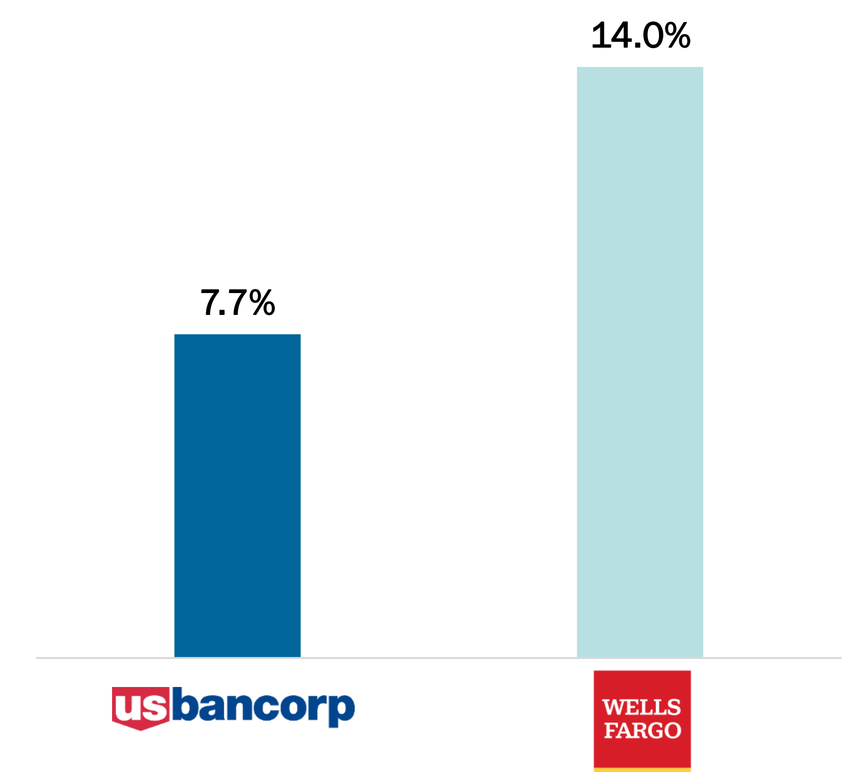
Despite having very similar asset/liability structures, USB's capital levels are significantly lower on both an absolute basis and relative to internal management targets

- USB's CET1 target has been 9% and has been at that level for many years[(a)]

CET1 Ratio (Reported vs. Mgmt. Target)



TCE / Loans[(c)]



Source: Company Filings, S&P Capital IQ.

Note: Data as of 4Q 2022.

(a) "We continue to expect that our share repurchase program will be deferred **until our CET1 ratio reaches 9.0%** following the pending deal close." - USB CFO, 2Q22 Earnings Call.

(b) Includes impact of AOCI, which will be required in regulatory calculations once USB transitions to a Category II institution (AOCI impact already included in WFC's reported CET1 ratio). Reflects full phase-in of CECL in CET1.

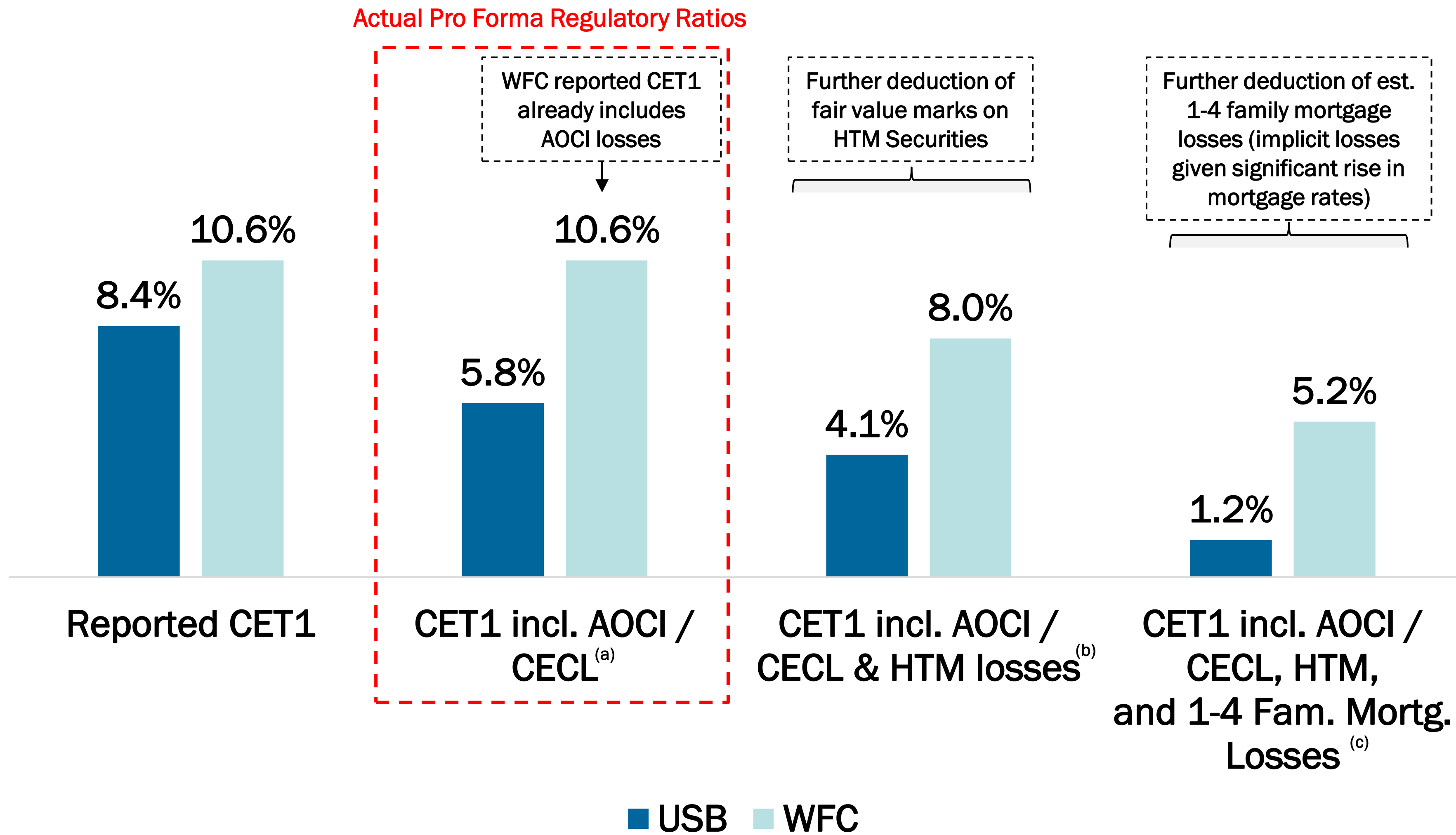
(c) TCE and gross loan balances as reported in 10-K.

HOLDCO
ASSET MANAGEMENT

...They are Definitely Not the Same...

USB's low capital levels become even more apparent after certain accounting adjustments

USB and WFC Capital Levels



Source: S&P Capital IQ Pro. Balances as of 4Q22.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. AOCI impact already included in WFC's reported CET1 ratio.

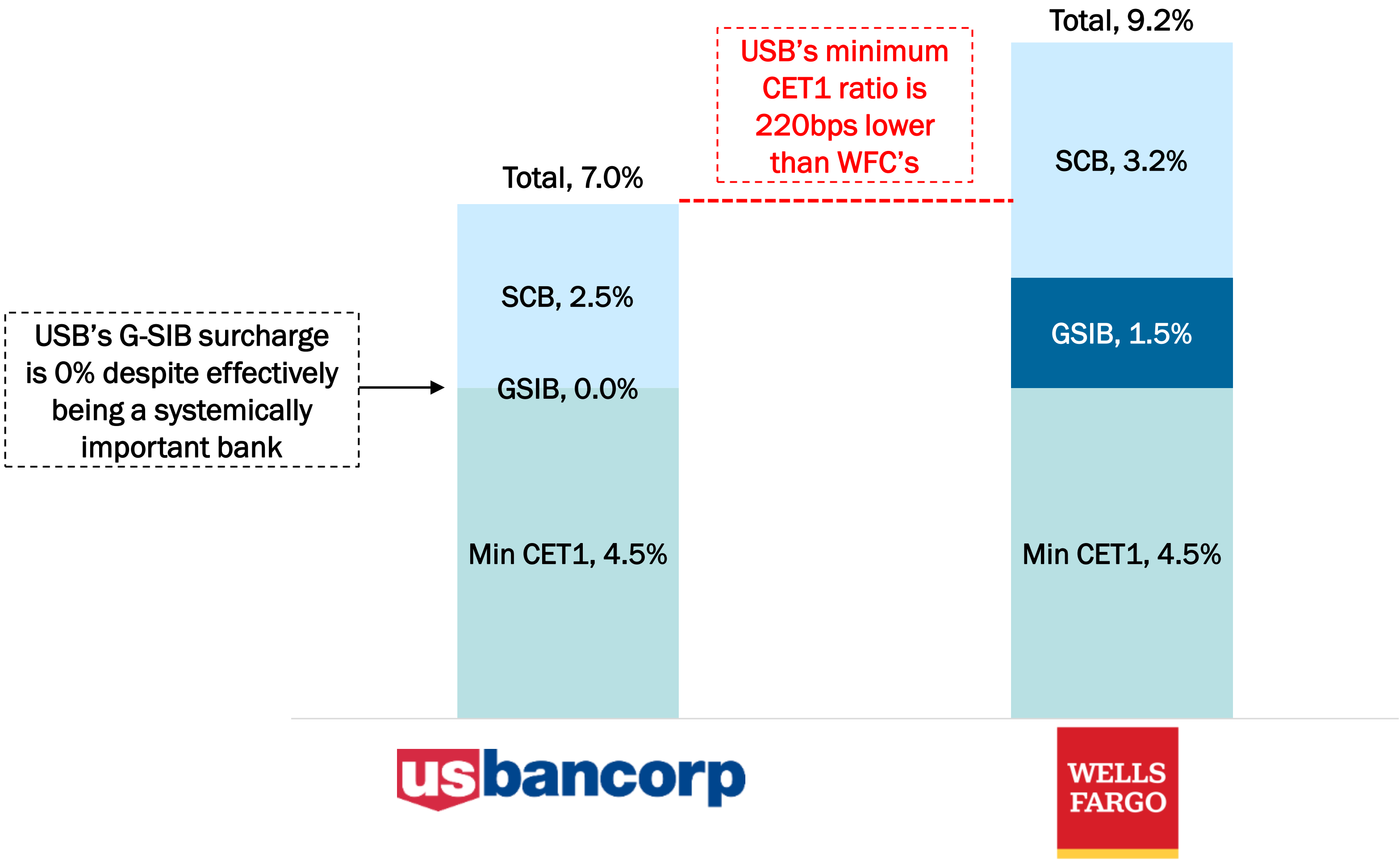
(b) Calculated by HoldCo as AOCI and HTM Fair Value losses realized within CET1; RWA unchanged. HTM Fair Value losses tax adjusted at 21%. Reflects full phase-in of CECL in CET1.

(c) Calculated by HoldCo as AOCI, HTM Fair Value losses, & 1-4 Family Mortgage losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. HTM Fair Value losses tax adjusted at 21%. 1-4 Family Mortgage losses calculated by HoldCo by first determining the mix of 1-4 Family Loans maturing in 5-15 years and >15 years ("maturity category"), which is implied based on the percentage mix of each maturity category disclosed in each bank's largest bank subsidiary Call Report. Then, HoldCo estimates the loss discount on each maturity category based on a present value calculation assuming the following: all loans are fixed rate, monthly cash flows, 4.9% for the annual discount rate (which represents the average spread over the last 10 years between the "Freddie Mac US Mortgage Market Survey 30 Year Homeowner Commitment National" and the 30 Year Treasury Yield, plus the current 30-Year Treasury Yield as of 4/6/22), cash flows based on the 2022 Yield on 1-4 Family Loans for each bank as calculated by S&P from regulatory filings (interest income on 1-4 family loans / avg. loans secured by 1-4 family loans), and an assumed duration of either 10 years when calculating the loss discount for the 5-15 maturity category or 20 years for the >15 years maturity category. Each loss discount is then applied to the percent mix of each maturity category to calculate the total losses for each maturity category. These losses are then tax-adjusted by 21% and reduced from CET1. No losses are assumed for 1-4 Family Mortgages that mature in < 5 years. These calculations result in a 11% estimated fair value loss on total 1-4 Family Loans for USB and 13% for WFC.

…And the Differences are in Part Driven by Starkly Different Requirements…

USB has a regulatory minimum CET1 ratio of just 7.0%, reflecting a light stress capital buffer and nonexistent G-SIB surcharge, whereas WFC has a considerably safer 9.2% minimum ratio

USB and WFC Regulatory Minimum CET1 Ratios



Source: Company filings.

Note: Regulatory minimums are the latest figures from the FY22 Fed's stress capital test.

HOLDCO ASSET MANAGEMENT

...And the Success (or, for Wells Fargo, the Lack Thereof) that Each Bank Has Had in Lobbying the Fed...

USB Successfully Lobbied For Regulatory Changes...

"...we support the provisions of the Interagency Proposal that would permit Category III banking organizations to opt out of the requirement to include most elements of AOCI in regulatory capital. **The requirement for Category III banking organizations to include AOCI—and, in particular, unrealized gains and losses on available-for-sale securities—in regulatory capital runs counter to prudential liquidity requirements and sound asset liability risk management.** The current treatment creates disincentives for covered banking organizations to hold assets eligible as HQLA or highly liquid assets for liquidity risk management purposes, or to hold longer duration securities for purposes of managing the interest rate risk inherent in a banking organization's business. **We, therefore, strongly support the proposal to allow Category III banking organizations to opt out of the requirement to include AOCI in regulatory capital.**"

- USB's Letter To The Fed/OCC/FDIC, 1/22/2019[a]

Read USB's Letter Lobbying For Reduced Capital Requirements Here

...While WFC Has Been Subject To The Asset Cap For Five Years

"Matt, I understand you're very consistent in wanting to know the answer [to the asset cap] and I certainly appreciate that. We have, across all of this regulatory work, we still have a substantial amount to do. **It's really not right for me to talk about under any specific consent order where we think we are in the process because, again, what I said ultimately is what's going to matter is whether our regulators believe it's done to their satisfaction.**"

- Charles Scharf (CEO), 4Q21 Transcript

"**I think as it comes to sort of the asset cap question, we'll go back to our stock answer around not – sort of not commenting on that at all**, other than the fact that, as Charlie has said a couple of times on the call, that we're -- **it's our top priority**, and we're continuing to do whatever we need to do to sort of work our way through that.

- Mike Santomassimo (CFO), 1Q21 Transcript

"Yes, Matt. Listen, It's a very, very tactful way of asking the question of when we think the asset cap will be lifted, which you know that I'm not in a position to answer. **And so I think your sentiments are right about what it takes, it takes time**. It takes a management team."

- Charles Scharf (CEO), 4Q20 Transcript

Source: Company Filings, Federal Reserve.

(a) USB's letter to the Fed/FDIC/OCC, "Proposals to Tailor the Regulatory Capital and Liquidity Requirements and Certain Enhanced Prudential Standards."

HOLDCO ASSET MANAGEMENT

…And as the Fed Appropriately Brought the Hammer Down on Wells Fargo Time After Time After Time After Time…

2008 2010 2012 2014 2016 2018 2020 2022 2024

Following the 2008 Financial Crisis, WFC experienced stellar credit performance relative to peers, with low loan losses

Regulatory Action
WFC enters consent orders with the FRB and OCC to correct deficiencies in residential mortgage servicing/foreclosure practices
4/2011

Regulatory Action
Basel Committee proposes Tier 1 equity surcharges for Globally Systemically Important Banks ("G-SIBs") ranging from 1% to 3.5%, in addition to minimum Tier 1 requirement of 7.0% set (includes 2.5% capital conservation buffer) in 9/2010
9/2010 & 6/2011

Regulatory Action
FRB adopts capital plan rule, which requires BHCs with assets >$50Bn to submit annual capital plans for review
11/2011

Fine
WFC pays $170MM in penalties pursuant to 2011 Consent Order
2/2012

Regulatory Action
WFC enters an amended consent order to the April 2011 Consent Order to accelerate customer remediations; pays $766MM in penalties
2/2013

Regulatory Action
WFC enters an amended consent order to address open items of the April 2011 Consent Order; required to remediate certain activities and allow additional supervisory actions by the OCC
6/2015

Fine
WFC pays $1.2 billion fine for improper mortgage lending practices
4/2016

Fine
WFC pays $70MM fine for previous violations against the 2011 consent order
5/2016

Regulatory Action
WFC enters consent order with the FRB regarding governance/ oversight; **WFC subject to $2 trillion asset cap (most punitive restriction of any consent order)**
2/2018

Regulatory Action/Fine
WFC enters two consent orders with the OCC and CFPB regarding auto insurance policies and mortgage interest rate lock extensions; pays $1Bn in penalties
4/2018

Regulatory Action
Fed finalized rule to implement stress capital buffer requirements on CCAR banks
3/2020

Regulatory Action
WFC cuts dividend by 80% and suspends buybacks following the Fed's COVID restrictions
7/2020

Fine
WFC pays $250MM fine for the bank's inability to correct deficiencies from the 4/2018 order in a timely manner
9/2021

Regulatory Action
WFC enters consent order with the OCC regarding its Home Lending business; WFC restricted from certain MSR related activities
9/2021

Regulatory Action/Fine
WFC enters consent order with the CFPB and required to provide customer remediation for matters related to auto/mortgage lending and deposit accounts; pays $1.7Bn in penalties and $2.0Bn in redress to customers
12/2022

Fine
WFC pays $68MM fine for inadequate oversight of sanctions risk
3/2023

Regulatory Action
WFC continues to be subject to the $2 trillion asset cap
Today

Source: Company filings, Federal Reserve, OCC, FDIC.

…Changed Rules and Approved USB's Requests to Grow Assets and Shrink Capital

USB has 1) lobbied for, and received, significant regulatory exemptions (AOCI opt-out election and reduced LCR in 2019[(a)]) allowing the bank to hold less capital, 2) engaged in large buybacks (thus reducing capital) after receiving these exceptions, 3) held to significantly lower capital requirements than even the smallest banks (7% minimum CET1 ratio is very low), and 4) made an enormous acquisition increasing its asset base all while the bank is effectively a systemically important bank.

While, on the other hand, WFC has been forced to 1) build and hold high levels of capital, 2) slash its dividend, 3) shrink its balance sheet, and 4) not make any acquisitions.

Regulatory Change Benefiting USB
Fed changes regulatory requirements to allow banks like USB to 1) exclude AOCI from required capital ratios and 2) reduce LCR requirements
11/2019

Enormous Acquisition
USB acquires Union Bank ($105Bn in assets) when interest rates were at all time lows
9/2021

Category II
USB effectively crosses $700Bn threshold (pro forma for Union Bank acquisition), the level to be deemed a Category II institution
3Q 2022

Fed Approves Union Bank Acquisition
10/2022

Union Bank Acquisition Closes
12/2022

USB Currently Pays a 94th Percentile Dividend Payout Ratio Compared to All Publicly Traded Banks Above $1Bn in Assets (see page 39)
Today

USB Sends Letter to the Fed/OCC/FDIC[(b)]
Lobbied regulators "to allow Category III banking organizations to opt out of the requirement to include AOCI in regulatory capital."
1/2019

USB Immediately Increases Buybacks Following Regulatory Change
"In November, we received approval from the Federal Reserve for an incremental share repurchase plan, **authorized repurchases up to $2.5 billion of common stock, in addition to our existing authorization of $3 billion**"
4Q19 Earnings Call

Rise in Interest Rates
10-year Treasury yield rises from 1.3% to 3.5% (from Union Bank acquisition announcement to close); Value of USB's securities plummet
9/2021 to 12/2022

Financial Engineering
USB sells $15Bn of loans and $16Bn of securities and avoids having >$700Bn in assets and becoming a Category II institution[(c)]
4Q 2022

Source: Company Filings, Federal Reserve.

(a) See "Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements" published on 11/2019 by the OCC, Fed, and FDIC.
(b) USB's letter to the Fed/FDIC/OCC, "Proposals to Tailor the Regulatory Capital and Liquidity Requirements and Certain Enhanced Prudential Standards."
(c) Per USB's 4Q 2022 investor presentation, categorized as "Loan Sales & Optimization" and "Balance sheet optimization actions."

...And the Risk-Taking Behaviors of Each Led to Stark Differences

USB's risk profile has worsened as it has been allowed to run wild

Unlike WFC, USB Operates Without Any Constraints

Key Metrics	usbancorp	WELLS FARGO
Loan Growth (2019 - 2022)	31%	(0%)
Asset Growth (2019 - 2022)	36%	(2%)
Deposit Growth (2019 - 2022)	45%	5%
Dividend/Share Growth (2019 - 2022)	19%	(43%)
2022 Dividend Payout Ratio	51%	35%
Change Since 2019		
% Change in Dividend Payout Ratio	+36%	(26%)
Change in Reported CET1 Ratio	(0.8%)	(0.5%)
Change in CET1 Ratio incl. AOCI/CECL[a]	(3.3%)	(0.6%)
Change in CET1 Ratio incl. AOCI/CECL & HTM Losses[b]	(5.0%)	(3.3%)

For each of these metrics, WFC has become less risky while USB has become more risky

Source: Company Filings, S&P Capital IQ Pro.

(a) Change from 4Q19 to 4Q22. Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

(b) Change from 4Q19 to 4Q22. Calculated by HoldCo as AOCI and HTM Fair Value losses realized within CET1; RWA unchanged. HTM Fair Value losses tax adjusted at 21%. Reflects full phase-in of CECL in CET1.

HOLDCO
ASSET MANAGEMENT

III. Comparing USB to Smaller Banks

Lest the Reader of This Presentation Assume That We are Unfairly Limiting Comparison of USB to its Larger Peers…

There are 393 publicly traded U.S. banks with greater than $1 billion in assets and we compare USB, the fifth largest bank by deposits, and one that has nearly $700 billion in assets, to this universe

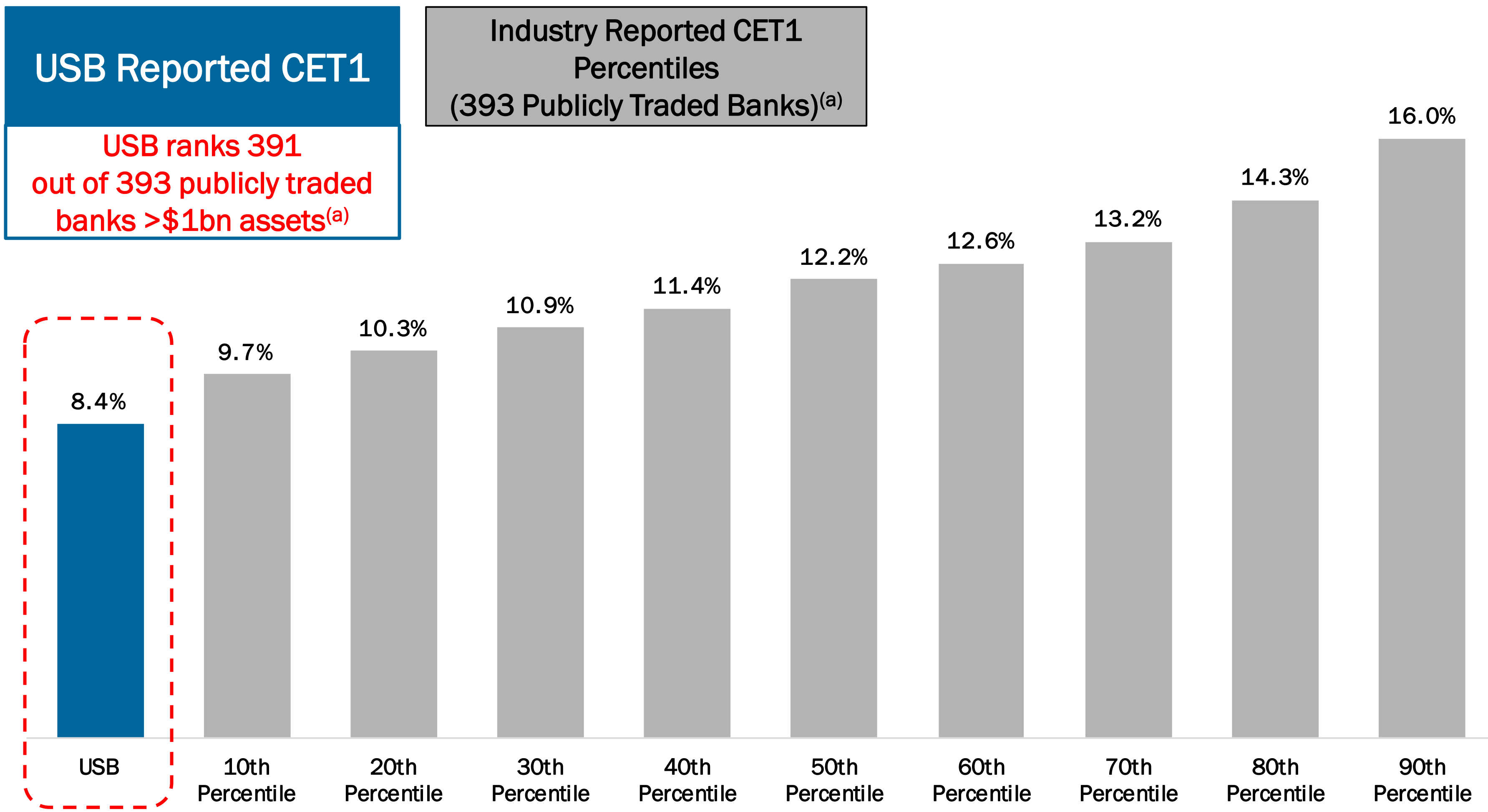
#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)	#	Ticker	Deposits($M)
1	JPM	2,340,179	51	CBSH	26,187	101	DCOM	10,254	151	BY	5,695	201	SMMF	3,170	251	CVCY	2,100	301	CFBK	1,528	351	PSBQ	1,149
2	BAC	1,930,341	52	FIBK	25,074	102	MBIN	10,071	152	CFB	5,651	202	SFST	3,134	252	TCFC	2,088	302	EMYB	1,521	352	JDVB	1,144
3	WFC	1,383,985	53	FINN	24,343	103	BUSE	10,071	153	PFBC	5,557	203	DBIN	3,120	253	BCML	2,085	303	HNVR	1,518	353	TYFG	1,139
4	C	1,365,954	54	TCBI	22,857	104	SBCF	9,982	154	ALPI.B	5,519	204	EXSR	3,066	254	ISTR	2,082	304	MNSB	1,513	354	CIZN	1,126
5	USB	524,976	55	SFNC	22,548	105	OCFC	9,675	155	FBMS	5,494	205	BFC	3,060	255	JMSB	2,068	305	ADKT	1,481	355	PBHC	1,125
6	PNC	436,282	56	UBSI	22,303	106	NBTB	9,496	156	MOFG	5,469	206	HTBI	3,048	256	PCB	2,046	306	VABK	1,478	356	NECB	1,122
7	TFC	413,495	57	FHB	21,689	107	STEL	9,268	157	LKFN	5,461	207	PFIS	3,047	257	CFFI	2,004	307	PLBC	1,458	357	SFDL	1,110
8	GS	386,665	58	OZK	21,500	108	FBNC	9,228	158	GABC	5,350	208	BHB	3,043	258	CZNC	1,998	308	HLAN	1,457	358	ASRV	1,109
9	SCHW	366,724	59	FULT	20,650	109	WTBF.B	9,217	159	MCB	5,278	209	SHBI	3,010	259	OBT	1,974	309	PEBK	1,435	359	SOMC	1,091
10	MS	356,646	60	BOH	20,616	110	FMBL	9,142	160	FMBH	5,257	210	SMBC	3,006	260	SBT	1,954	310	LRBI	1,434	360	SBFG	1,087
11	COF	332,992	61	GBCI	20,607	111	VBTX	9,123	161	PGC	5,205	211	RBB	2,978	261	CVLY	1,943	311	BSVN	1,429	361	FMBM	1,083
12	BK	278,970	62	UCBI	19,877	112	LOB	8,885	162	TRST	5,193	212	BHRB	2,920	262	BCAL	1,932	312	CZWI	1,425	362	CFST	1,081
13	STT	235,464	63	ABCB	19,463	113	EGBN	8,713	163	OSBC	5,111	213	ALRS	2,915	263	ATLO	1,898	313	FNCB	1,421	363	FXLG	1,067
14	CFG	180,724	64	EBC	18,974	114	OFG	8,568	164	WASH	5,019	214	WTBA	2,880	264	OPBK	1,886	314	QNBC	1,418	364	CNBB	1,063
15	FRC	176,437	65	CATY	18,505	115	LBAI	8,567	165	FISI	4,929	215	FNBT	2,818	265	CZFS	1,844	315	MBCN	1,402	365	NWYF	1,062
16	FITB	163,690	66	CUBI	18,157	116	TCBK	8,329	166	CHCO	4,870	216	CCB	2,818	266	FVCB	1,830	316	OCNB	1,399	366	INBC	1,060
17	MTB	163,515	67	HOMB	17,939	117	PRK	8,235	167	CAC	4,827	217	BWFG	2,801	267	USCB	1,829	317	FCCO	1,385	367	KISB	1,037
18	ALLY	152,297	68	HTLF	17,513	118	FCF	8,005	168	BFST	4,820	218	RRBI	2,799	268	AVBH	1,823	318	ESSA	1,370	368	BMBN	1,029
19	HBAN	147,914	69	PPBI	17,352	119	NBHC	7,873	169	CATC	4,815	219	FSBC	2,782	269	OVLY	1,814	319	RVSB	1,366	369	CMRB	1,027
20	KEY	142,595	70	WSFS	16,204	120	OBNK	7,776	170	FMCB	4,759	220	FGBI	2,724	270	FFMH	1,799	320	SAL	1,358	370	CSBB	1,023
21	RF	131,743	71	FBP	16,143	121	HMST	7,452	171	GSBC	4,685	221	FRST	2,722	271	CALB	1,792	321	CNBN	1,352	371	MLGF	1,010
22	NTRS	123,932	72	WAFD	15,960	122	CNOB	7,357	172	CCNE	4,622	222	GNTY	2,681	272	FNWD	1,775	322	CNBL	1,352	372	RMBI	1,005
23	AXP	110,239	73	AUB	15,932	123	STBA	7,220	173	RBCA.A	4,538	223	CSTR	2,680	273	EVBN	1,772	323	BPRN	1,348	373	FKYS	993
24	DFS	91,636	74	INDB	15,879	124	NIC	7,179	174	HTBK	4,390	224	FCBC	2,679	274	CBNK	1,758	324	MCBI	1,346	374	HMNF	982
25	FCNC.A	89,408	75	HOPE	15,739	125	BANC	7,121	175	IBCP	4,379	225	MCBS	2,667	275	ISBA	1,744	325	PTRS	1,340	375	USMT	976
26	ZION	71,652	76	AX	15,690	126	AMTB	7,044	176	THFF	4,369	226	HBCP	2,633	276	NWFL	1,728	326	FETM	1,333	376	SSBI	963
27	CMA	71,397	77	CBCY.B	15,561	127	TBBK	7,030	177	EQBK	4,242	227	CIVB	2,620	277	FNRN	1,727	327	THVB	1,329	377	CZBC	956
28	FHN	63,489	78	MCHB	15,499	128	SRCE	6,928	178	FBAK	4,225	228	MCBC	2,615	278	SSBK	1,721	328	CWBK	1,304	378	UBOH	954
29	BPOP	61,227	79	IBTX	15,121	129	PFC	6,907	179	HONE	4,189	229	AMNB	2,596	279	TBNK	1,716	329	LARK	1,301	379	AUBN	950
30	NYCB	58,721	80	TRMK	14,438	130	CPF	6,736	180	TFIN	4,171	230	SFIG.A	2,543	280	BAFI	1,711	330	BLFY	1,289	380	LNKB	947
31	EWBC	55,968	81	FRME	14,383	131	TMP	6,602	181	SBNC	4,126	231	RVRF	2,514	281	MNAT	1,689	331	CBTN	1,282	381	PROV	945
32	WBS	54,054	82	BANR	13,620	132	AMAL	6,595	182	SMBK	4,077	232	HIFS	2,505	282	PBAM	1,675	332	PVBC	1,280	382	UWHR	940
33	WAL	53,644	83	RNST	13,487	133	BRKL	6,522	183	EBTC	4,036	233	BRBS	2,503	283	SOME	1,658	333	CBFV	1,269	383	CMTV	923
34	SNV	48,872	84	TOWN	13,294	134	FFIC	6,485	184	CCBG	3,939	234	CBAN	2,491	284	ENBP	1,639	334	PDLB	1,252	384	FBTT	914
35	VLY	47,637	85	WSBC	13,131	135	LC	6,393	185	WBHC	3,893	235	ORRF	2,476	285	EBMT	1,635	335	FXNC	1,241	385	CHBH	909
36	CFR	43,954	86	CBU	13,012	136	SYBT	6,391	186	WFCL	3,851	236	FMAO	2,469	286	NASB	1,634	336	ESQ	1,228	386	DSBX	904
37	WTFC	42,903	87	CVBF	12,836	137	MSBI	6,365	187	MPB	3,778	237	MYFW	2,405	287	HWBK	1,632	337	SABK	1,217	387	CITZ	904
38	CADE	38,957	88	FFBC	12,701	138	SI	6,297	188	CNND	3,762	238	NRIM	2,387	288	LYBC	1,620	338	MBLU	1,206	388	KEFI	880
39	SSB	36,351	89	IBOC	12,660	139	WABC	6,225	189	MBWM	3,713	239	FNLC	2,379	289	LCNB	1,605	339	UNB	1,202	389	FIEB	876
40	ONB	35,001	90	SFBS	11,547	140	SBSI	6,198	190	CARE	3,630	240	FFMR	2,346	290	TSBK	1,601	340	LMST	1,201	390	CWBC	875
41	PNFP	34,961	91	NWBI	11,465	141	HAFC	6,168	191	HBT	3,587	241	CHMG	2,327	291	FUNC	1,571	341	WSBF	1,199	391	FMIA	866
42	FNB	34,770	92	HTH	11,316	142	QCRH	5,984	192	BMRC	3,573	242	FRBA	2,294	292	FNWB	1,564	342	BHWB	1,191	392	MLVF	737
43	BOKF	34,481	93	FFIN	11,006	143	KRNY	5,971	193	FMNB	3,562	243	MFGI	2,257	293	PWOD	1,556	343	FBIP	1,182	393	ECBK	718
44	PACW	33,936	94	BANF	10,974	144	HFWA	5,925	194	AROW	3,498	244	NBN	2,235	294	FRAF	1,551	344	PFLC	1,180			
45	UMBF	32,639	95	SASR	10,953	145	UVSP	5,914	195	RCBC	3,442	245	WNEB	2,229	295	COSO	1,549	345	FFNW	1,170			
46	ASB	29,636	96	FBK	10,856	146	HBNC	5,858	196	INBK	3,441	246	ACNB	2,199	296	NKSH	1,543	346	UBAB	1,169			
47	HWC	29,070	97	EFSC	10,829	147	LBC	5,839	197	BWB	3,417	247	FBIZ	2,168	297	CNBW	1,541	347	CPKF	1,166			
48	PB	28,534	98	PFS	10,563	148	CASH	5,789	198	SPFI	3,406	248	FDBC	2,167	298	CBBI	1,538	348	ARBV	1,164			
49	BKU	27,509	99	FFWM	10,363	149	FSUN	5,765	199	AMBZ	3,391	249	FSBW	2,128	299	FSFG	1,538	349	FSMK	1,161			
50	COLB	27,066	100	BHLB	10,327	150	PEBO	5,717	200	TCBX	3,236	250	COFS	2,118	300	SCZC	1,531	350	OPOF	1,156			

Source: *Company Filings, S&P Capital IQ Pro.*

Note: Data as of December 31, 2022. Table above based on (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

…One Can See That Even on USB's Trumpeted Capital Levels…

Even if we make no adjustments to CET1 capital ratios and use the stated headline figures provided by each bank, USB's comparison to the small bank universe is beyond comprehension

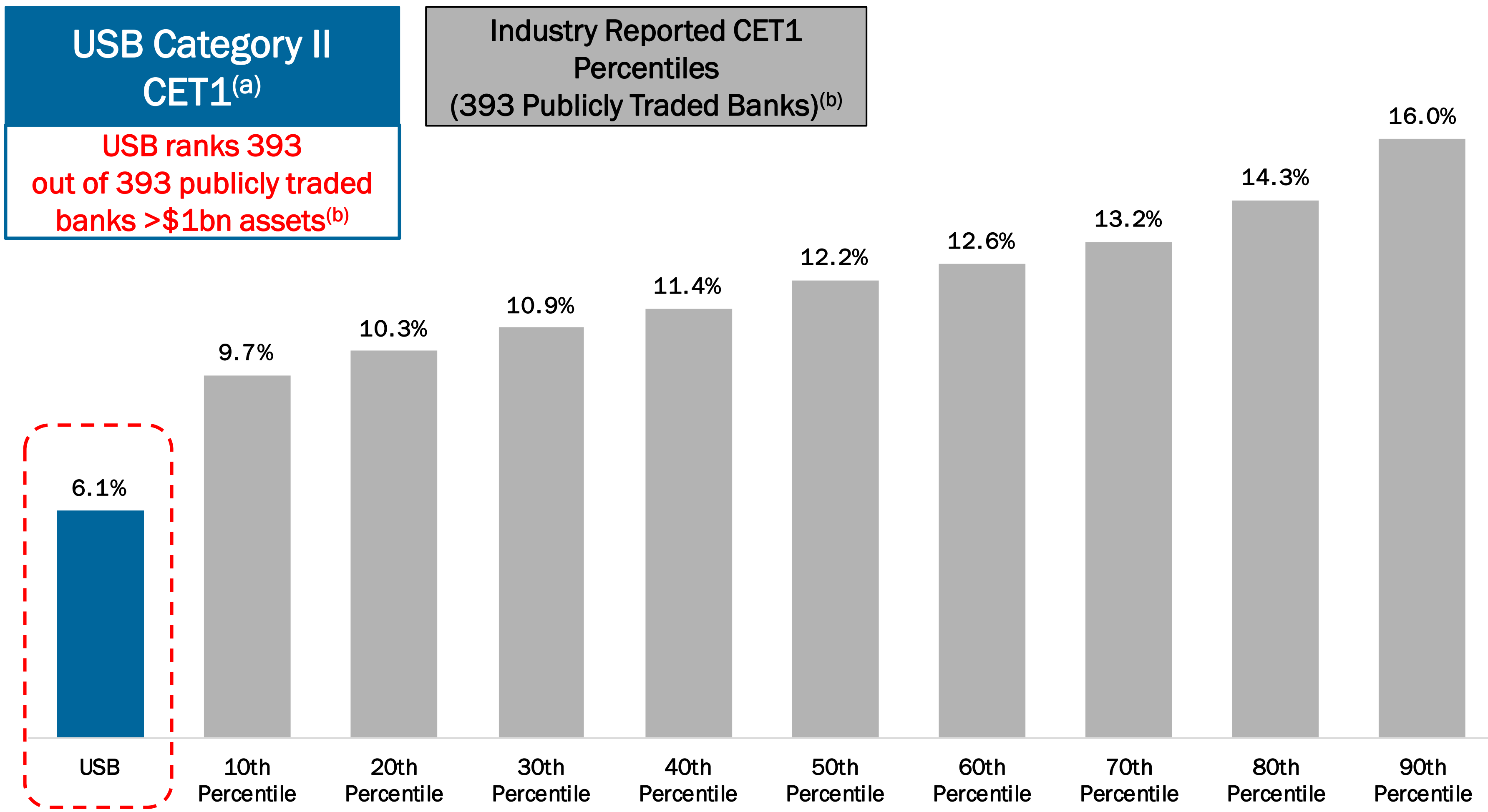


Source: *Company Filings, S&P Capital IQ Pro.*
Note: Data as of December 31, 2022.
(a) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO ASSET MANAGEMENT

…And Even More So Once its Category II Status is Phased in…

Once USB's capital levels are adjusted for Category II status, it becomes the worst capitalized bank in the entire universe of 393 publicly traded banks[b]



Source: *Company Filings, S&P Capital IQ Pro.*

Note: Data as of December 31, 2022.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged.

(b) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO
ASSET MANAGEMENT

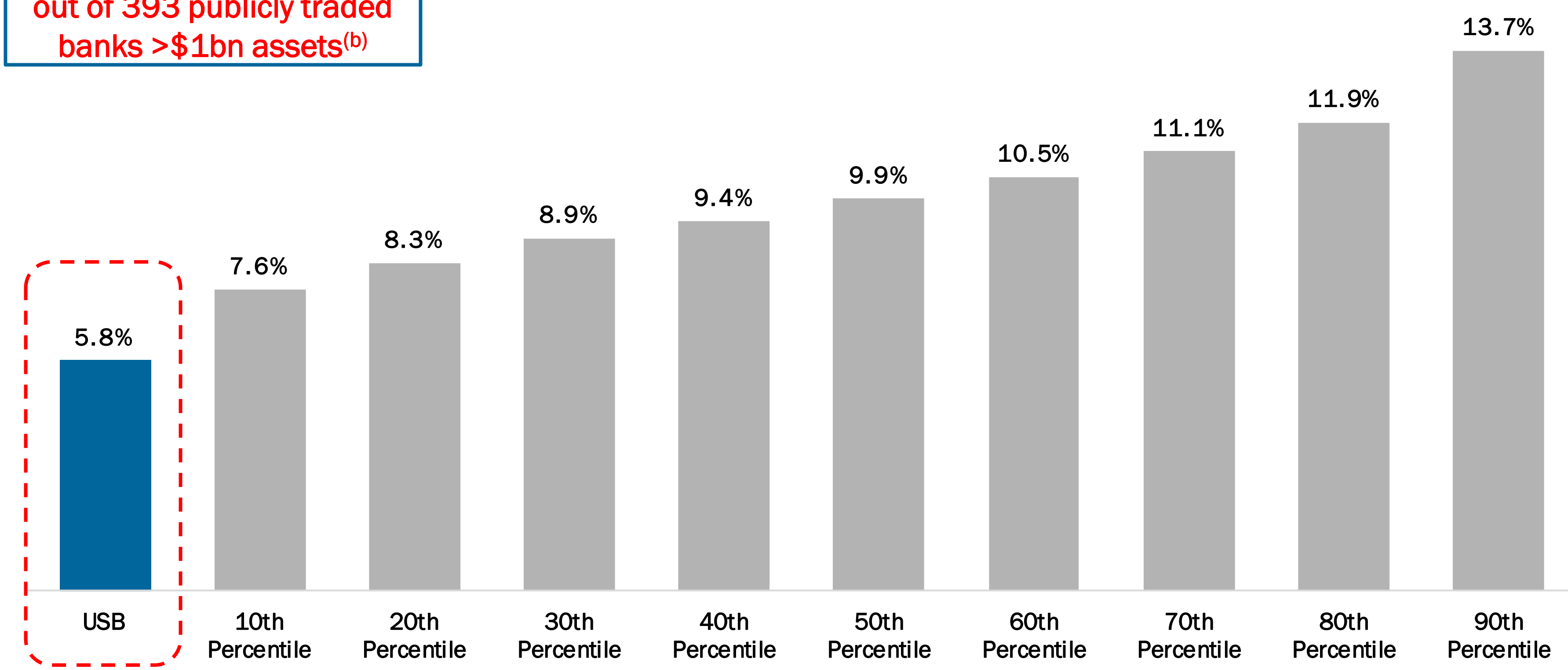
…And Still the Case Even if All Banks Were Moved to Category II and CECL Exclusions Were Phased Out…

Even if every bank's capital was adjusted for AFS unrealized losses, USB ranks amongst the worst

USB Category II CET1 (incl. CECL adj.)[a]

USB ranks 386 out of 393 publicly traded banks >$1bn assets[b]

Industry Reported CET1 (incl. AOCI/CECL) Percentiles (393 Publicly Traded Banks)[a][b]



Source: *Company Filings, S&P Capital IQ Pro.*

Note: Data as of December 31, 2022.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made.

(b) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO ASSET MANAGEMENT

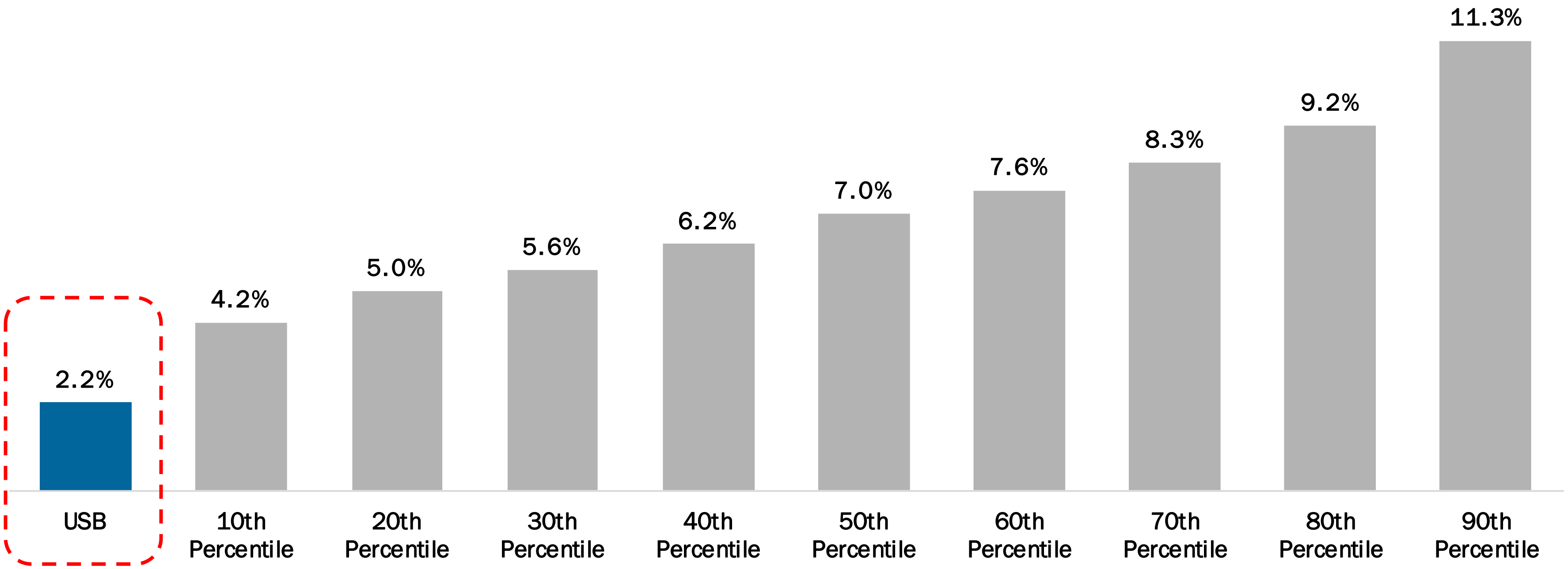
…And Even More So if a Hypothetical Stress Test is Run…

Applying our stress test methodology on page 49, USB's relative performance shows a similar picture, with all banks in the 20th percentile and higher bottoming above the Fed's 4.5% minimum CET1 level

USB Category II & Stress Tested CET1[a]

USB ranks 391 out of 393 publicly traded banks >$1bn assets[b]

HoldCo Stress Test CET1 Percentiles (393 Publicly Traded Banks)[a][b]

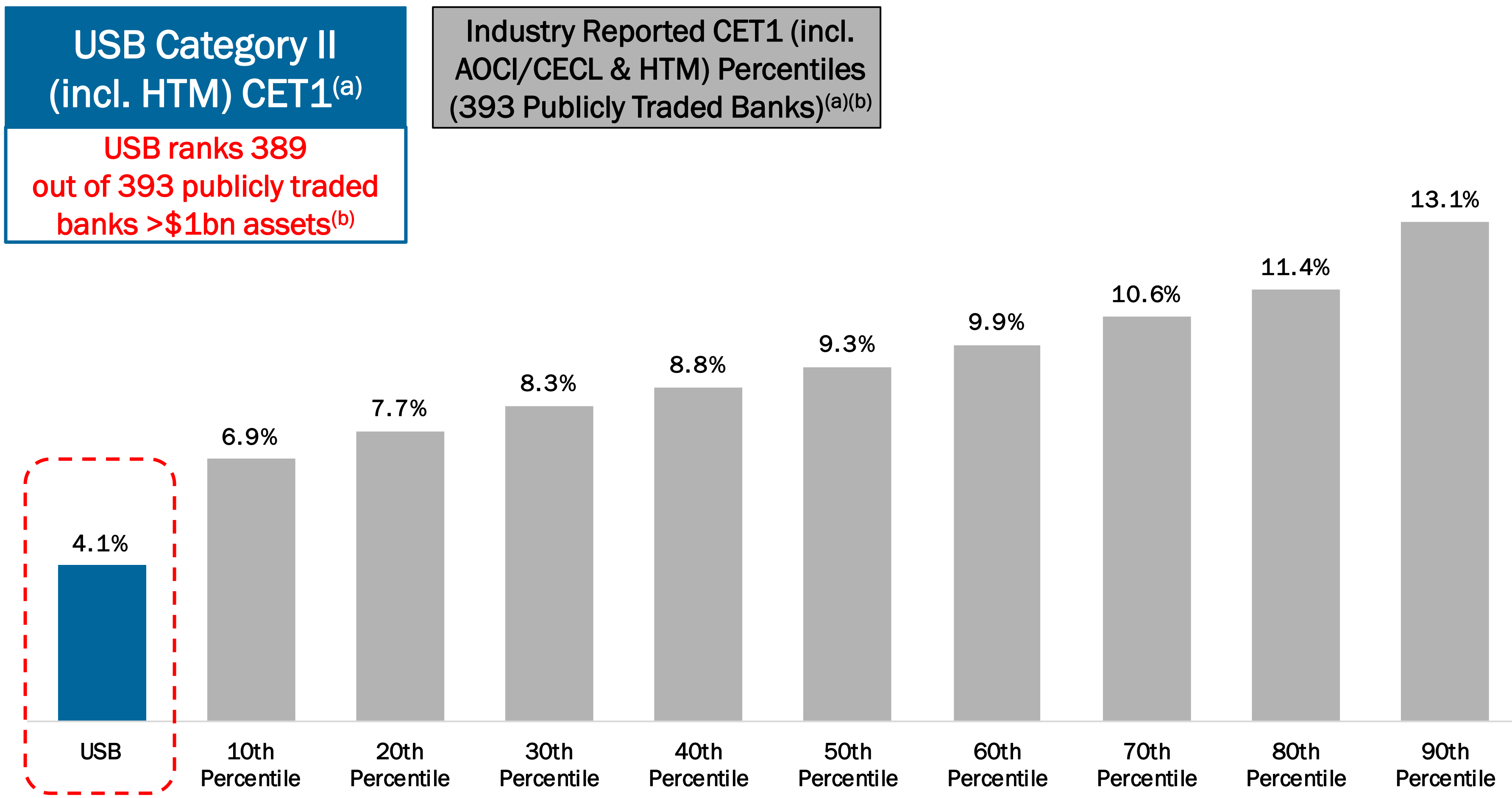


Source: *Company Filings, S&P Capital IQ Pro, 2022 Federal Reserve Stress Test Results.*
Note: Data as of December 31, 2022.
(a) Based on the HoldCo Stress Test Methodology described in footnote on page 43.
(b) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO
ASSET MANAGEMENT

…And Still the Case if HTM Losses are Reflected…

If every bank's capital was adjusted for AFS/HTM unrealized losses, USB also ranks amongst the worst



Source: *Company Filings, S&P Capital IQ Pro.*

Note: Data as of December 31, 2022.

(a) Calculated by HoldCo as AOCI and HTM Fair Value losses realized within CET1; RWA unchanged. HTM Fair Value losses tax adjusted at 21%. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made.

(b) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

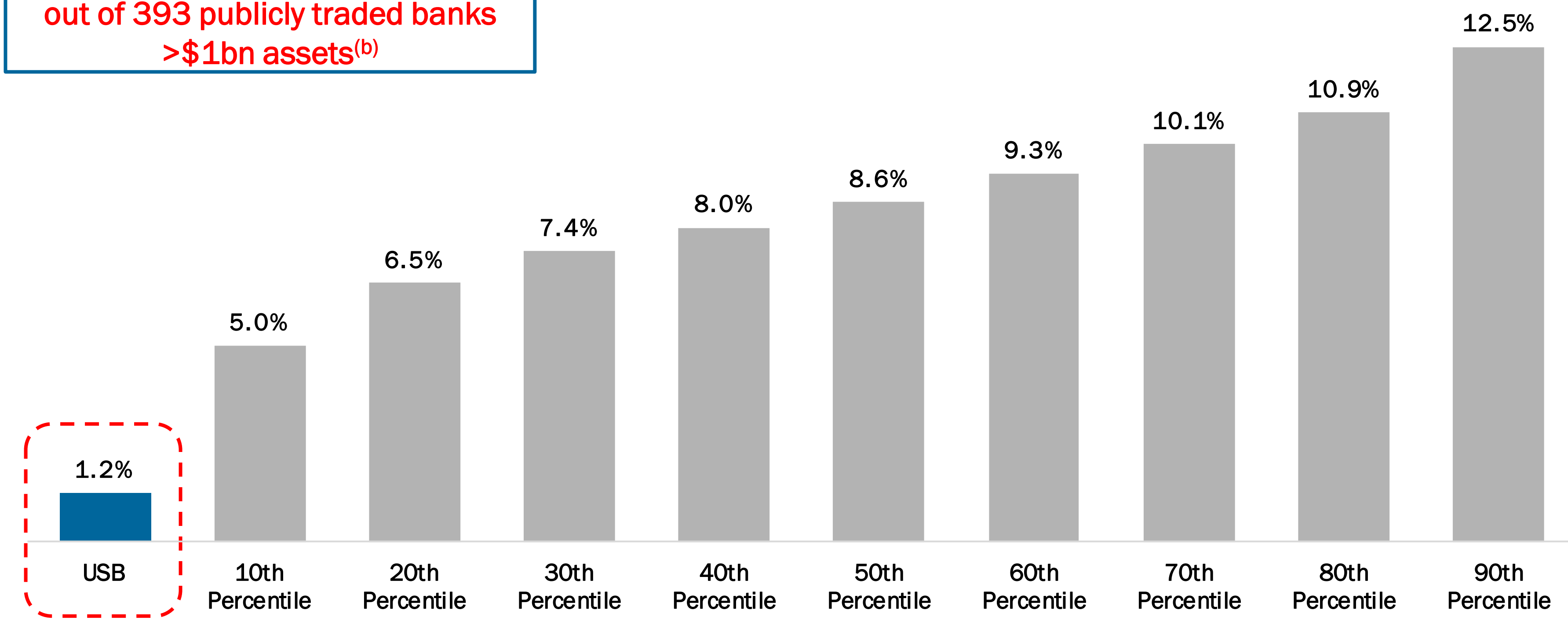
…And Still the Case if Mortgage Loans are Marked…

If long-dated mortgage loans are marked at a discount, including all the prior adjustments, the results are extremely bad, particularly on an absolute basis[a]

USB Category II (incl. HTM & 1-4 Family Mortgage Losses) CET1[a]

USB ranks 386 out of 393 publicly traded banks >$1bn assets[b]

Industry Reported CET1 (incl. AOCI/CECL, HTM & 1-4 Family Mortgage Losses) Percentiles (393 Publicly Traded Banks)[a][b]



Source: *Company Filings, S&P Capital IQ Pro.*

Note: Data as of December 31, 2022.

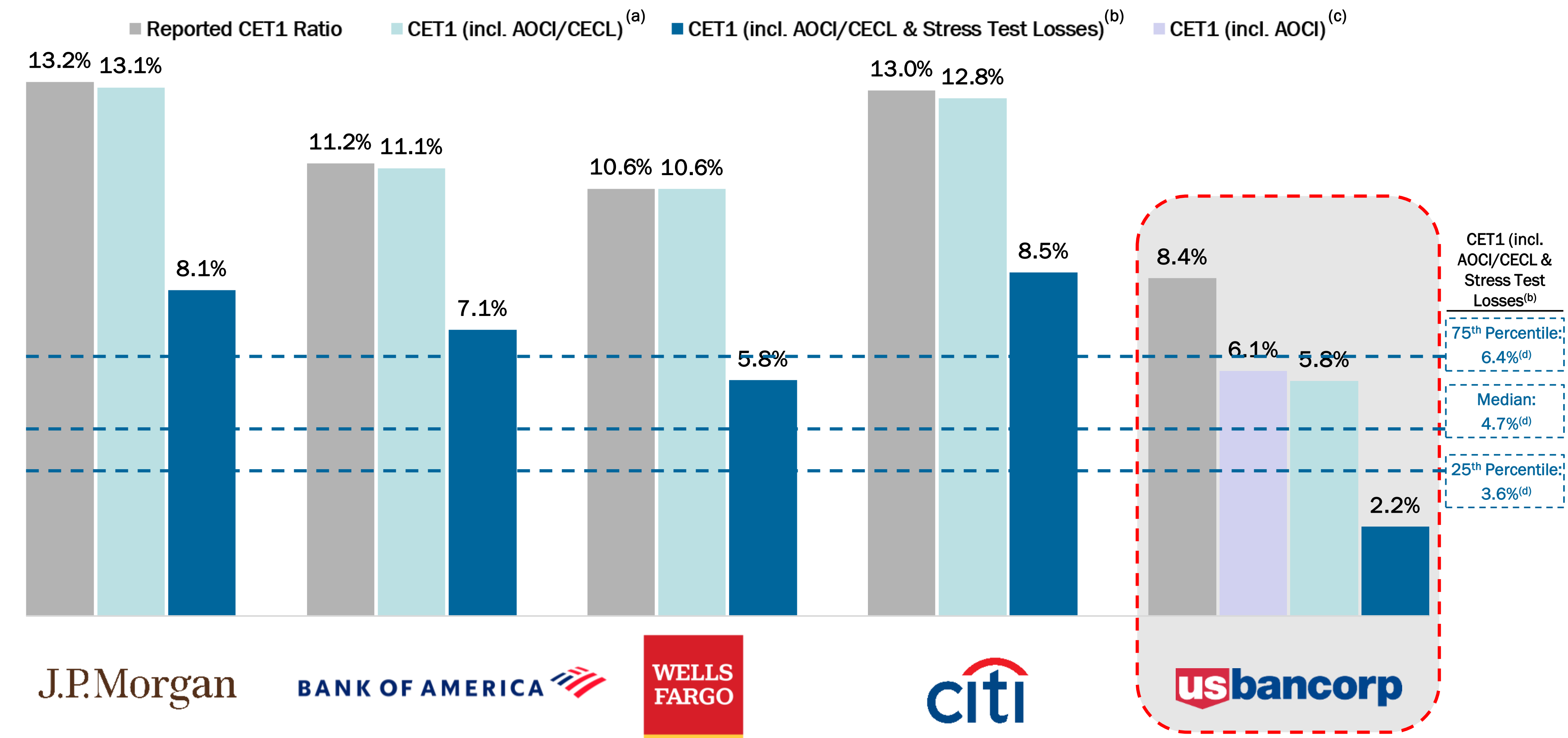
(a) Calculated by HoldCo as AOCI, HTM Fair Value losses, & 1-4 Family Mortgage losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. HTM Fair Value losses tax adjusted at 21%. 1-4 Family Mortgage losses calculated by HoldCo by first determining the mix of 1-4 Family Loans maturing in 5-15 years and >15 years ("maturity category"), which is implied based on the percentage mix of each maturity category disclosed in each bank's largest bank subsidiary Call Report. Then, HoldCo estimates the loss discount on each maturity category based on a present value calculation assuming the following: all loans are fixed rate, monthly cash flows, 4.9% for the annual discount rate (which represents the average spread over the last 10 years between the "Freddie Mac US Mortgage Market Survey 30 Year Homeowner Commitment National" and the 30 Year Treasury Yield, plus the current 30-Year Treasury Yield as of 4/6/22), cash flows based on the 2022 Yield on 1-4 Family Loans for each bank as calculated by S&P from regulatory filings (interest income on 1-4 family loans / avg. loans secured by 1-4 family loans), and an assumed duration of either 10 years when calculating the loss discount for the 5-15 maturity category or 20 years for the >15 years maturity category. Each loss discount is then applied to the percent mix of each maturity category to calculate the total losses for each maturity category. These losses are then tax-adjusted by 21% and reduced from CET1. No losses are assumed for 1-4 Family Mortgages that mature in < 5 years. These calculations result in a 11% estimated fair value loss on total 1-4 Family Loans for USB.

(b) When this universe of "393 publicly traded banks >$1bn" is referenced anytime in this Presentation, it means all (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO ASSET MANAGEMENT

…What Remains is That Any Way You Slice it, USB is Less Safe and Sound Than Nearly All Banks, Large or Small…

Top 5 Banks by Deposits – CET1 Ratios



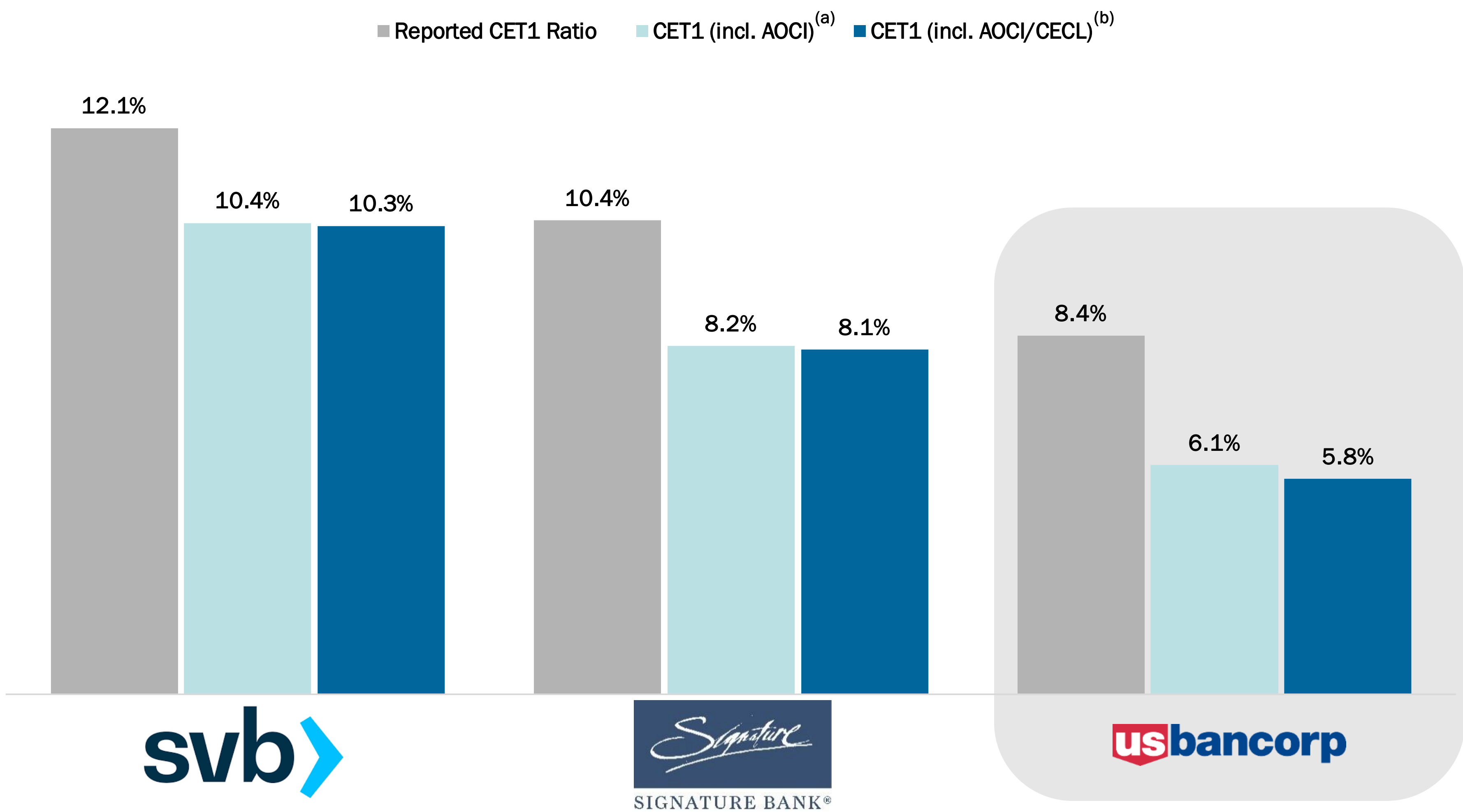
Source: *Company Filings, S&P Capital IQ Pro, Federal Reserve.*
Note: Data as of 4Q22.
(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made.
(b) Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for the AOCI Assumption where we adjust for AOCI for all other banks.
(c) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged.
(d) Based on the universe of "393 publicly traded banks >$1bn" which is (1) 387 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report Common Equity Tier 1 and Risk-Weighted Assets in regulatory filings as of 12/31/22 at either the issuing entity (or if not then the primary bank subsidiary), and such figures are available through S&P Capital IQ Pro. Typically, a bank holding company with less than $3 billion of assets will be subject to the "Small Bank Holding Company Policy Statement" and will not be obligated to calculate or file parent company capital ratios and for these entities we will utilize the capital ratios disclosed with respect to the primary bank subsidiary. These capital ratios are then used as "stated" or "reported" figures and we adjusted accordingly to determine adjusted ratios that are referenced in this presentation.

HOLDCO ASSET MANAGEMENT

…And Even Have Capital Ratios Worse Than the Two Banks that Failed…

USB's stated and adjusted capital ratios[(a)(b)] are worse than Silicon Valley Bancorp and Signature Bank were before they failed

Top 5 Banks by Deposits – CET1 Ratios



Source: Company Filings, S&P Capital IQ Pro.

Note: Data as of December 31, 2022.

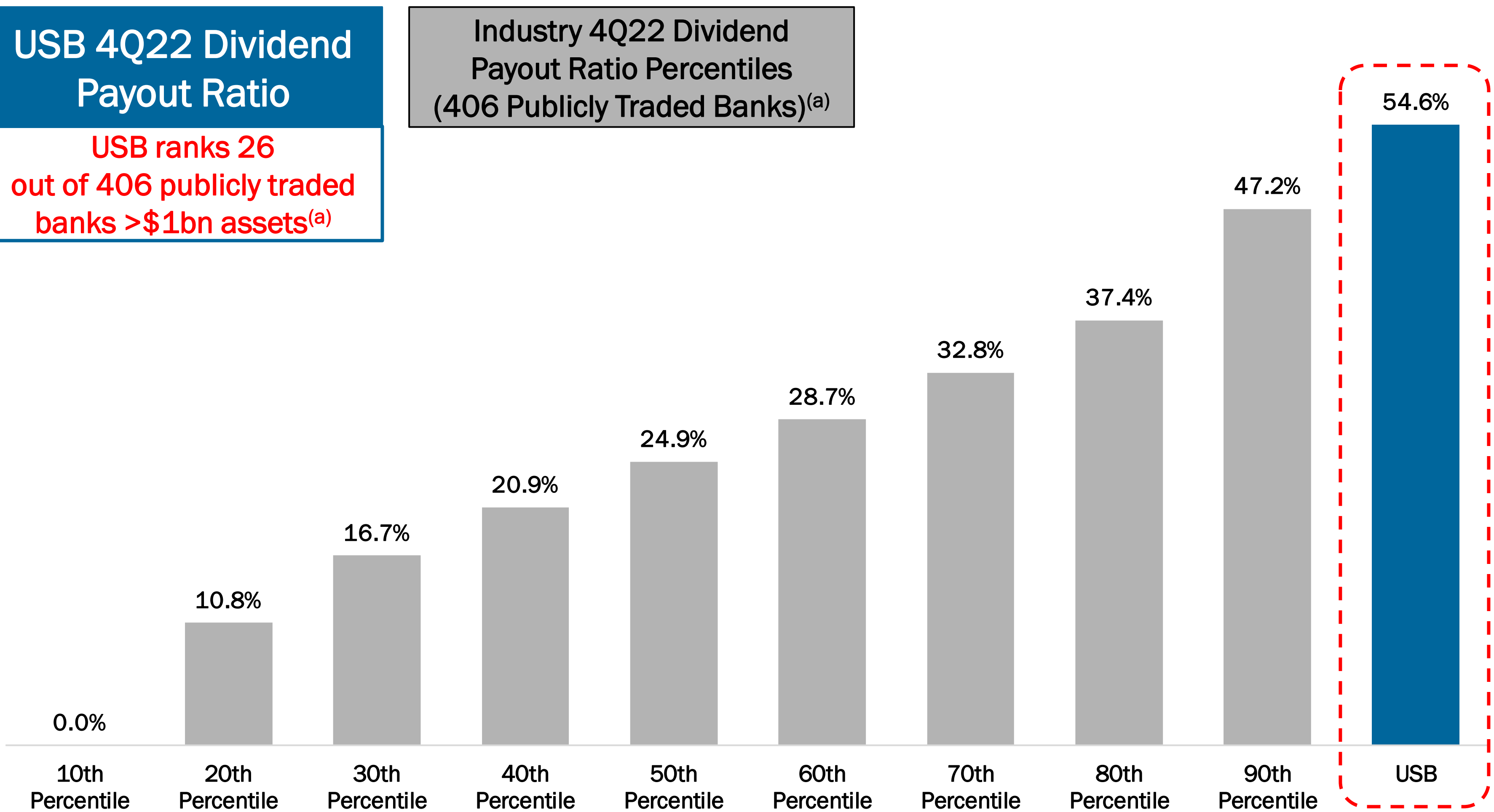
(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged.

(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable.

…But Despite All of This It Is Somehow Regarded As "A-OK" For USB to Shell Out Amongst the Highest Dividend Payouts in the Universe[(a)]

USB 4Q22 Dividend Payout Ratio

USB ranks 26 out of 406 publicly traded banks >$1bn assets[(a)]



Source: Company Filings, S&P Capital IQ Pro.

Note: Data as of December 31, 2022.

(a) The universe of "406 publicly traded banks >$1bn" means all (1) 400 institutions classified by S&P Capital IQ Pro as Banks or Non-Mutual Savings Banks and 6 institutions that are not so classified but were subject to the 2022 Federal Reserve Stress Tests that have (1) assets greater than $1 billion as of 12/31/22, (2) stock trading in the U.S. on a public exchange or over-the-counter (OTC), and (3) that report 4Q22 Common Dividend Declared per Share and 4Q22 Core EPS calculated by S&P Global Market Intelligence (or for banks where S&P does not calculate Core EPS, use GAAP EPS), and such figures are available through S&P Capital IQ Pro. The universe of 406 banks described on this page differs from the 393 banks described on other pages because more banks report dividend and earnings figures than they do CET1 ratios.

HOLDCO
ASSET MANAGEMENT

IV. USB's Capital Inadequacy Under Current Rules

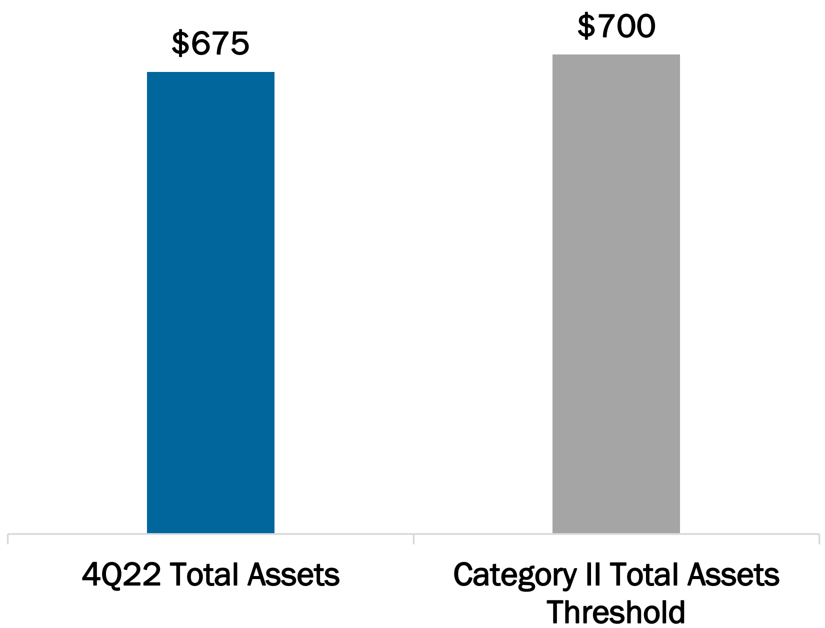
USB Will Soon be Categorized as a Category II Institution

USB will soon likely become and be regulated as a Category II institution (either by crossing the $700Bn asset threshold or likely mandated by the Fed even if it does not surpass $700Bn in assets), subjecting the bank to stricter requirements, including the inability to use the AOCI opt-out election

USB is Nearly at $700Bn in Assets

($ in Bn)

USB would already be above the $700Bn threshold had they not appeared to play financial games and sold $31Bn of loans/securities in 4Q22[(a)]



USB's AOCI opt-out election will no longer be an option as a result of becoming a Category II institution

"In connection with the Company's acquisition of MUB, **the Company committed** (the "Federal Reserve Commitments") **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 (i) the date required under the Tailoring Rules;** and **(ii) December 31, 2024, if the Federal Reserve notifies the Company by January 1, 2024, that the Company must comply with such rules."**

- USB Form 10-K, 2/27/23

"USB also has committed to meet Category II requirements by the earlier of (i) the date it is obligated to do so by regulation or (ii) by December 31, 2024, if notified by the Federal Reserve by January 1, 2024, to comply with such requirements. **The Federal Reserve would likely provide such a notification unless the firm can demonstrate through its quarterly implementation plan a credible path to reducing its projected risk profile such that the requirements should not apply** (including, for example, a path toward a material reduction in assets)."

- Federal Reserve Order Approving Acquisition, 10/14/22[(b)]

"So first of all, **we're not limiting growth in the company…**"

"…we're **ready to be able to adopt Category II by the end of 2024.**"

- USB 4Q22 Earnings Call, 1/25/23

Source: Company Filings, Federal Reserve.

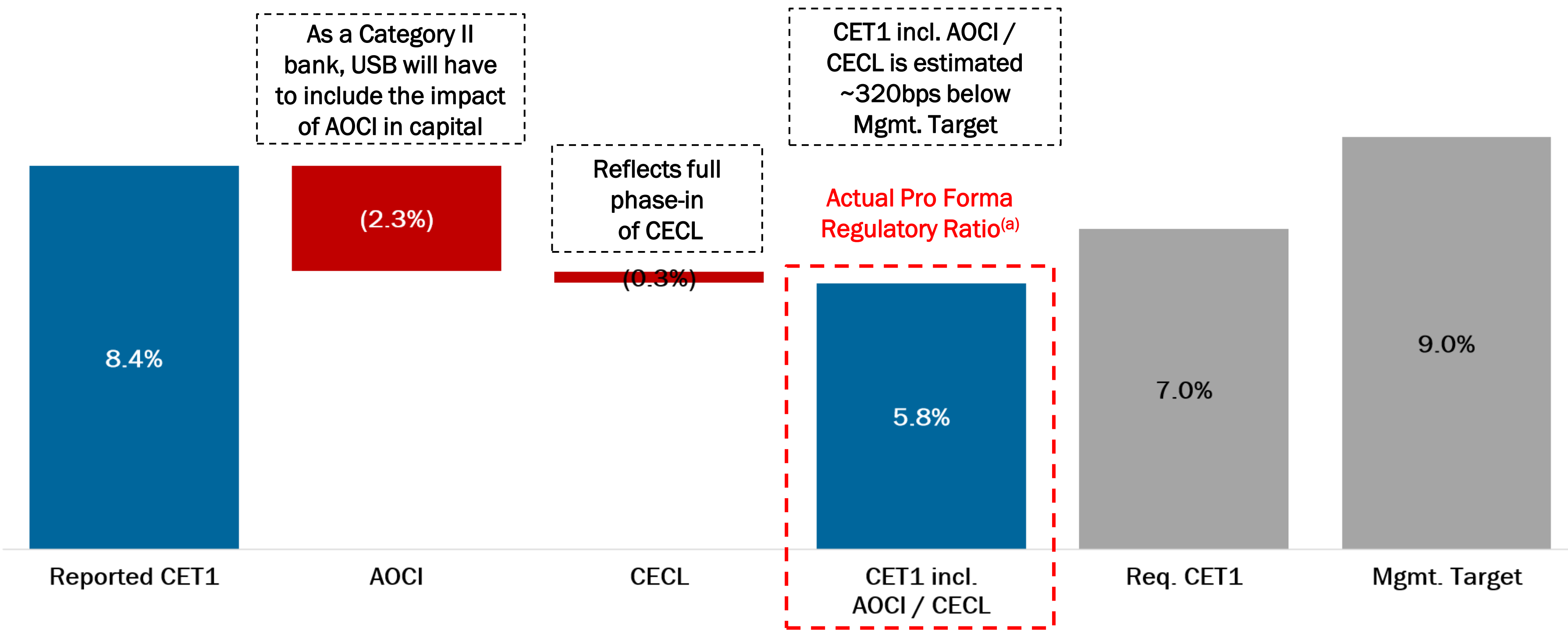
(a) Per USB's 4Q 2022 investor presentation, categorized as "Loan Sales & Optimization" and "Balance sheet optimization actions."

(b) Federal Reserve System; U.S. Bancorp; Order Approving the Acquisition of a Bank" dated October 14, 2022

USB's Category II Transition Negatively Impacts Capital Levels

USB's capital ratios would drop substantially if it was treated as a Category II institution today [(a)], which requires the bank to include the impact of AOCI in regulatory capital ratios, and even more so if CECL exclusions were phased in

USB CET1 Ratio incl. AOCI / CECL



Source: Company Filings, S&P Capital IQ Pro, Federal Register. Balances as of 4Q22.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

HOLDCO
ASSET MANAGEMENT

HoldCo's Stress Test Methodology

Every year, the Fed runs an Annual Stress Test for the largest banks – in our methodology, we modify two main variables which we think will and should change: interest rates and CECL accounting

Interest Rates

- Stress tests in the past have reflected loan losses in the context of dramatically falling interest rates
- This is nonsensical given the fact that Chair Powell has widely acknowledged the possibility of a stagflationary environment where rates stay elevated in the midst of a recession
- In our stress tests, we run various scenarios including the impact of higher rates, which lead to lower fair value of securities in the AFS bucket and lower CET1 ratios

CECL Accounting

- CECL accounting is based on "life of loan losses", which means that a bank is supposed to provision for future loan losses immediately
- Although banks do this in their accounting, the Fed has not yet brought that into the stress test, which is out-of-step with the regulatory reality that they have created
- We modify the current methodology in our stress tests to fix this discrepancy (see note)

Sen. John Kennedy (3/28/23): "You stress tested these 34 banks for falling GDP, spiking unemployment…It's not our problem today, **the problem is inflation, high interest rates, and the loss of value in government bonds**, isn't it?"

Michael Barr: "**I completely agree** with you."

Sen. John Kennedy: "**You stress tested for the wrong thing…it's like somebody going in for a test for COVID and getting a test for cholera.**"

Michael Barr: "I don't know enough about either of those tests to know."

Sen. John Kennedy: "Well, they're different."

"Instead, the recent **rapid rise of interest rates placed heightened focus on** the potential for **rapid deterioration of the fair value of HTM portfolios** and, in this case, the lack of stickiness of certain uninsured deposits. Ironically, **banks were incented to own very safe government securities** because **they were considered highly liquid** by regulators **and carried very low capital requirements.** **Even worse, the stress testing based on the scenario devised by the Federal Reserve Board (the Fed) never incorporated interest rates at higher levels.** This is not to absolve bank management — it's just to make clear that **this wasn't the finest hour for many players.**"

- Jamie Dimon, 4/04/23

Source: Federal Reserve, Senate Hearing, Jamie Dimon's 2022 Annual Letter to Shareholders.

Note: For calculating "HoldCo Stress Test Methodology", unless otherwise stated, we make the following assumptions:

1. **CECL Reserve Assumption.** We assume a CECL methodology is implemented wherein lifetime losses for loans are taken immediately at the beginning of the first quarter of the stress test scenario and such losses are estimated to equal current loan loss reserve plus the estimated 9 quarters of loan losses calculated pursuant to the loan loss assumption, including such tax adjustment.
2. **CECL Phase-In Assumption.** For banks that are phasing-in CECL adjustments back into CET1 pursuant to the 5 year phase-in option, we are reducing CET1 assuming a full phase-in. Such phase-in is estimated by calculating the difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made.
3. **AOCI Assumption.** For USB, we are reducing CET1 by adding back AOCI into CET1. For all other banks, we not making any adjustment for AOCI.
4. **Loan Loss Assumption.** For the 33 banks that were subject to the Fed's 2022 Stress Test, loan losses are estimated based on each bank's disclosed loss rate per loan category ("First-lien mortgages, domestic", "Junior liens and HELOCs, domestic", "Commercial and industrial", "Commercial real estate, domestic", "Credit cards", "Other consumer", "Other loans"), per the 2022 Federal Reserve Stress Test Results, using 2022Q4 balances, and our estimated balances of each loan categorization. For banks other than the 33 banks, loan losses are based on applying the average losses for the 33 banks within each loan category (1.3% for First-lien mortgages, domestic, 3.9% for Junior liens and HELOCs, domestic, 7.9% for Commercial and industrial, 9.8% for Commercial real estate, domestic, 15.6% for Credit cards, 5.7% for Other consumer, and 4.1% for Other loans). Losses for all banks are then tax adjusted using a 21% tax rate.
5. **Other Loss Assumptions.** For 33 banks that were subject to the Fed's 2022 Stress Test, we assume the same 1) credit losses on investment securities, 2) trading and counterparty losses and 3) other losses/gains as shown in the 2022 Federal Reserve Stress Test Results in dollars for each of the respective 33 banks and tax adjust results using a 21% tax rate. For all other banks no other losses are assumed.
6. **Interest Rate Assumption.** We are using values as of 4Q22 and assume no change in securities values based on interest rates vs. the Federal Reserve's methodology that assumes interest rates drop in the severely adverse case of the 2023 Stress Test Scenarios.
7. **RWA Assumption.** Risk weighted assets are kept constant from 4Q22 figures.
8. **Consolidated Assumption.** For banks where consolidated figures are available pursuant to the footnote (a) on page 5, numbers are calculated using consolidated numbers, otherwise numbers are calculated using the primary bank subsidiary.

Background on CECL

CECL, the "current expected credit losses methodology", is an accounting standards update passed by the Financial Accounting Standards Board ("FASB") in June 2016 pursuant to which larger, SEC-filing banks (such as USB and WFC) were required to implement CECL beginning in calendar year 2020, followed by a 2021 and 2022 implementation by smaller, non-public banks

2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022

June 2016
Financial Accounting Standards Board ("FASB") issued an update to the accounting standards for credit losses that included the CECL methodology, which replaces the existing incurred loss methodology for certain financial assets. CECL requires banking organizations to recognize lifetime expected credit losses for financial assets measured at amortized cost, not just those credit losses that are probable of having been incurred as of the reporting date. Adoption of CECL was mandatory for certain banks (such as USB and WFC) that are U.S. SEC filers in 2020[a]

December 2018
The Fed, FDIC, and OCC approved a final rule modifying regulatory capital rules and providing banks an option to phase-in CECL over a three-year phase-in period so that banks that adopt CECL for 2020 could phase in the adverse effects over 2020, 2021, and 2022[b]

December 2018
The Fed provided a statement on CECL clarifying that they would delay implementation of CECL into their stress tests until after the 2021 supervisory stress test cycles[b]

February 2019
The Fed, OCC, and FDIC adopted the regulatory capital rule codifying the 3-year phase-in treatment[c]

March 2020
The Fed, OCC, and FDIC provided CECL transition relief to banks, where the full phase-in of CECL would occur over a five-year period instead of three-year period[d]

September 2020
The Fed, OCC, and FDIC finalized the 5-year transition rule[e]

December 2021
In December 2021, the Fed released an updated statement regarding implementation of CECL in their stress test, pushing out implementation of CECL in its stress tests from being implemented in the 2022 stress test cycle to the 2024 stress test cycle, thereby delaying implementation by an additional 2 years[f]

(a) FASB Accounting Standards Update, "Credit Losses", 6/16/2016.
(b) Joint Press Release from the Federal Reserve Board, FDIC, and OCC: "Agencies allow three-year regulatory capital phase-in for new Current Expected Credit Losses (CECL) accounting standard", 12/21/2018.
(c) Federal Register, "Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations", 2/14/2019.
(d) Federal Register, "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances", 3/31/2020.
(e) Federal Register, "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances", 9/30/2020.
(f) Federal Reserve, "Statement on the current expected credit loss methodology (CECL) and stress testing", 12/09/2021.

HOLDCO ASSET MANAGEMENT

Background on CECL (cont'd)

The updated CECL accounting standard requires banks to recognize lifetime expected credit losses immediately, rather than until they are probable, which results in an immediate hit to equity capital

- The core of the updated CECL accounting standard requires that banks recognize lifetime expected credit losses immediately
  - As a practical matter, this means that when a bank issues a new loan, the bank provisions for the full amount of estimated lifetime credit losses immediately, taking an immediate hit to equity capital
- Moreover, if credit conditions worsen, for example if a recession occurs or even the probability of a recession in the future increases, banks are required to increase loan loss provisions to capture the higher estimated losses, which again are calculated based on the lifetime expected credit losses
- CECL results in banks taking larger allowances much earlier and is thus a more conservative approach to the prior "incurred loss methodology"
  - Under the incurred loss methodology, provisioning for credit losses was delayed until it was "probable" that a loss was incurred
- While go-forward provisioning and loan loss allowance build must be incorporated in regulatory capital, a relatively small portion CECL-driven reserving (approximately 25%) taken in 2020 and 2021 was permitted by the Fed to be excluded from regulatory capital starting in 2021 and of this portion 25% has already "phased" into capital and will be fully phased in by 2025
  - We believe it appropriate that this remaining "phase-in" be treated as immediate for stress test purposes
  - Again, and most importantly, go-forward provisioning under CECL – under the current rules – is fully included in regulatory capital

Source: FASB, Federal Reserve, FDIC, and OCC.

Background on CECL (cont'd)

A proper incorporation of CECL in the Fed's stress was – improperly, in our view – pushed to 2024 consideration, but we believe that in light of recent bank failures, the expectation of a near-term recession, and Barr's upcoming re-assessment of rules and regulations, that it is likely that CECL will be appropriately reflected in the upcoming 2023 stress tests

- In last year's stress test, the Fed allowed banks to disregard the realities of CECL in their stress testing methodology, which by their own admission would have the effect of "smooth[ing] its effect on capital" (*Federal Reserve, 12/09/21)*
  - First, instead of looking at the lifetime losses, the Fed instead looks forward 4 quarters
  - Second, instead of requiring banks to provision even this highly lax standard of 4 quarters instead of lifetime losses immediately, they allow them to smooth over differences between actual and assumed allowances over 9 quarters to even further lessen the impact of credit losses
- As a result, under current rules – which are currently being reviewed by Barr for possible changes for the current 2023 stress testing cycle – CECL is being disregarded with respect to loan loss scenarios
- Even under Randal Quarles' supervisory leadership, the Fed understood that their current approach to CECL in stress testing was temporary, stating that *"…the Federal Reserve is extending the period of time over which it will maintain the current framework for allowance for credit losses in the supervisory stress test through the 2023 stress testing cycle while continuing to evaluate appropriate future enhancements"*[(a)]
- We believe the only appropriate way to incorporate CECL into the stress tests is to first use the look-forward period that incorporates all losses for the 13-quarter projection horizon in the stress test (Q1 2023 through the Q1 2025) into the "day-one" loan loss reserves[(b)]

It would seem to us egregious to disregard the realities of CECL loss-taking in the Fed's stress test and we would expect Barr to revise this approach in the 2023 upcoming Fed-run stress test

Source: Federal Reserve.
(a) Federal Reserve, "Statement on the current expected credit loss methodology (CECL) and stress testing", 12/09/2021.
(b) As a simplifying assumption, when we run CECL through stress test scenarios, we are looking at the historical loan losses over the 9-quarter period of 2022 (instead of a full lifetime loss assumption) and adding those losses to the current Q4 2022 loss reserves to estimate a full lifetime loan loss assumption.

HOLDCO ASSET MANAGEMENT

Stress Tests Fail to Include Important Variables and Differ Materially Between G-SIBs (like Wells Fargo) and USB

Recent bank failures demonstrate that non-G-SIB banks can create systemic risk, yet multiple important variables (i.e. rising rates, Market Shock scenarios, CECL changes) are absent in the stress tests of USB under the flawed premise that USB is not systemically important

Only G-SIBs are Tested for the Below Components[(a)]

Sorted by Deposits (Desc. Order)	G-SIB Surcharge	Global Market Shock	Counterparty Default Component	Exploratory Market Shock
JPMorgan Chase & Co.	3.5%	Yes	Yes	Yes
Bank of America Corporation	2.5%	Yes	Yes	Yes
Wells Fargo & Company	**1.5%**	**Yes**	**Yes**	**Yes**
Citigroup Inc.	3.0%	Yes	Yes	Yes
U.S. Bancorp	**0.0%**	**No**	**No**	**No**
The PNC Financial Services Group, Inc.	0.0%	No	No	No
Truist Financial Corporation	0.0%	No	No	No
Capital One Financial Corporation	0.0%	No	No	No
Citizens Financial Group, Inc.	0.0%	No	No	No
M&T Bank Corporation	0.0%	No	No	No

Results of Exploratory Market Shock do not affect required capital levels, even for G-SIBs

Terminal Year Metrics of 2023 Stress Test Scenarios

	Inflation Rate	Treasury Rates	Prime Rate
Baseline Scenario	~2.2%	~3.0% (3mo) / ~3.2% (10yr)	~5.9%
Severely Adverse Scenario	~1.6%	~0.1% (3mo) / ~1.5% (10yr)	~3.1%

Rising rates are not tested under current framework, even in the Severely Adverse Scenario

Severely Adverse Component Descriptions

Test	Applies To	Description
Global Market Shock	"Banks with significant trading activity"	"...a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty."
Counterparty Default Component	"Large banks with substantial trading or custodial operations"	"...the unexpected default of the firm's largest counterparty"
Exploratory Market Shock	"...only to U.S. G-SIBs"	"...understand a firm's resilience to a range of severe but plausible events...by posing a different set of risks than is probed in this year's global market shock component."

2024 Stress Tests Must Factor in CECL

"The **existing supervisory stress test framework** generally **assumes** that the level of the **allowance on credit losses** at the end of a given quarter **equals the amount needed to cover projected loan losses over the next four quarters.** Because **this calculation** is based on projected losses under the severely adverse scenario, it **typically differs from a banking organization's actual allowance on credit losses** at the beginning of the planning horizon, which is based on information available as of the balance sheet date...**The Federal Reserve is extending the period of time over which it will maintain the current framework** for allowance for credit losses in the supervisory stress test **through the 2023 stress testing cycle**..."

- Federal Reserve, 12/09/21

Source: Company filings, Federal Reserve's 2023 Stress Tests and 2021 "Statement on the current expected credit loss methodology (CECL) and stress testing."

(a) Analysis excludes trust banks, investment banks, and international banks.

HoldCo Believes USB Should be Subject to the Same Stress Testing Scenarios of G-SIBs and Incorporate the Impact of High Rates on Capital Requirements

Exploratory Market Shock Was Meaningless for 2023...

"This year, for the first time, **the Federal Reserve is publishing an additional, exploratory market shock...**applied only to U.S. G-SIBs...to understand a firm's resilience to a range of severe but plausible events...characterized by a less severe recession with **greater inflationary pressures** induced by higher inflation expectations. Such differences in **scenarios could reveal different losses across banks, depending on the positions held in their portfolios**...Consistent with the nature of an exploratory exercise, **<u>the exploratory market shock will not contribute to the capital requirements set by this year's stress test.</u> Instead, it will be used to assess** the potential of multiple scenarios to capture a **wider array of risks in future stress test exercises**...The exploratory market shock is characterized by a recession with inflationary pressures...**Treasury rates increase as short-term rates rise sharply**, while longer-term rates increase to a lesser extent."

- Federal Reserve, 2023 Stress Test

...and Regulators Recognize This Oversight

"You **stress tested for the wrong thing.**"

- Sen. John Kennedy, 3/28/23

"As I said, Senator, **I agree it would be useful to test for higher rising interest rates, that's why in our alternative scenario that we put in place for this year's stress test we do that.** Those decisions were made before I arrived, but I agree with you..."

- Michael Barr, 3/28/23

"...Your review will take a look at what would have happened if those rules hadn't been in place and then **you could make decisions about what new rules need to be in place to protect from this extraordinary situation we saw with these two banks**, is that correct?"

- Sen. Tina Smith, 3/28/23

"Yes, **that's correct**, Senator."

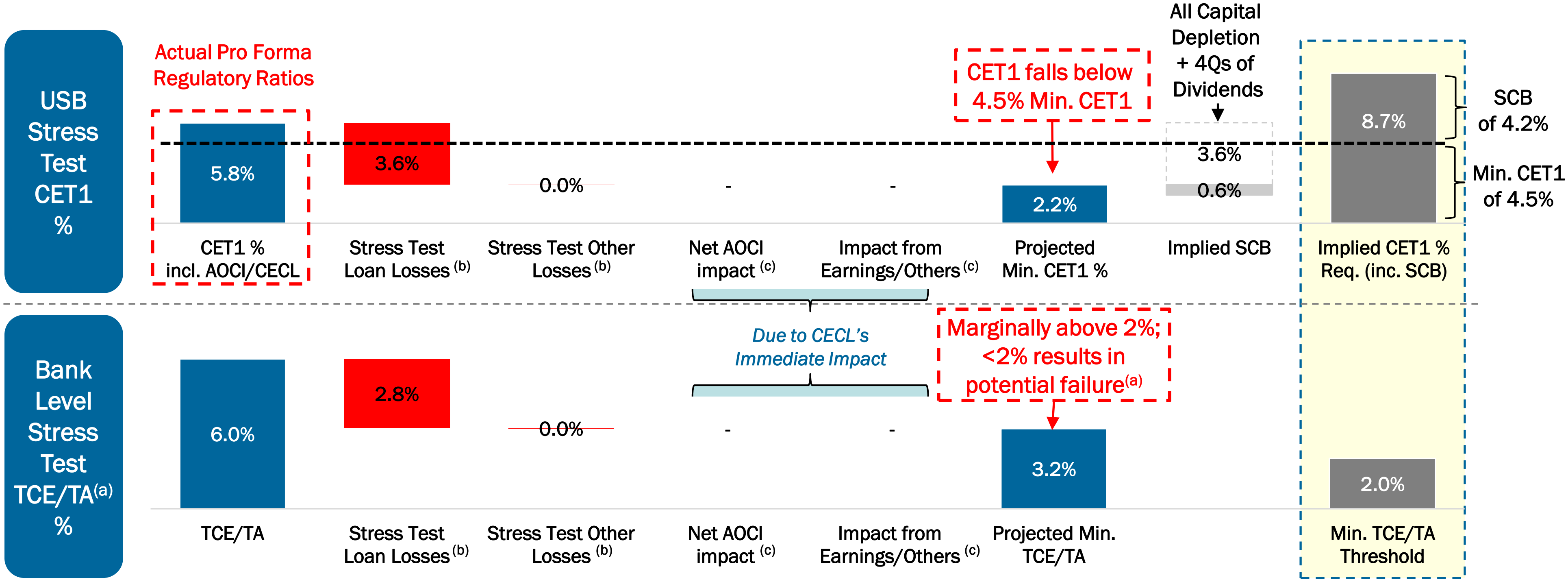
- Michael Barr, 3/28/23

Source: Senate Hearing on 3/28/2023, Federal Reserve's 2023 Stress Tests.

Based on HoldCo's Applied Stress Test Methodology, USB Will Likely Fall Below its Minimum Required CET1 of 4.5% and Only Marginally Meet its TCE/TA Threshold of 2%[a]...

USB Stress Test – Key Assumptions[b]:

1. USB treated as Category II Bank, resulting in CET1 to include the impact of AOCI
2. CECL fully implemented; Full phase-in of CECL reflected in CET1
3. Losses consistent with 2022 Fed's Stress Test, factoring in CECL (front-loaded, thus no accretion/earnings projected)
4. Interest rates are assumed to remain constant relative to FY2022



Source: *Company Filings, Federal Reserve.*

Note: See pages 43-46 for more detail on CECL.

(a) See FDIC, "Chapter 5 - Prompt Corrective Action", for a discussion regarding mandatory resolution of critically undercapitalized banks—banks with a tangible equity to total assets ratio below 2%. Since neither USB nor WFC have bank level preferred equity, we believe that tangible common equity to tangible assets is a close proxy for calculating such ratio. TCE and TA are calculated as total common equity and total assets adjusted for goodwill/intangible assets (net of deferred tax liabilities) as adjusted for CET1 per its bank call report.

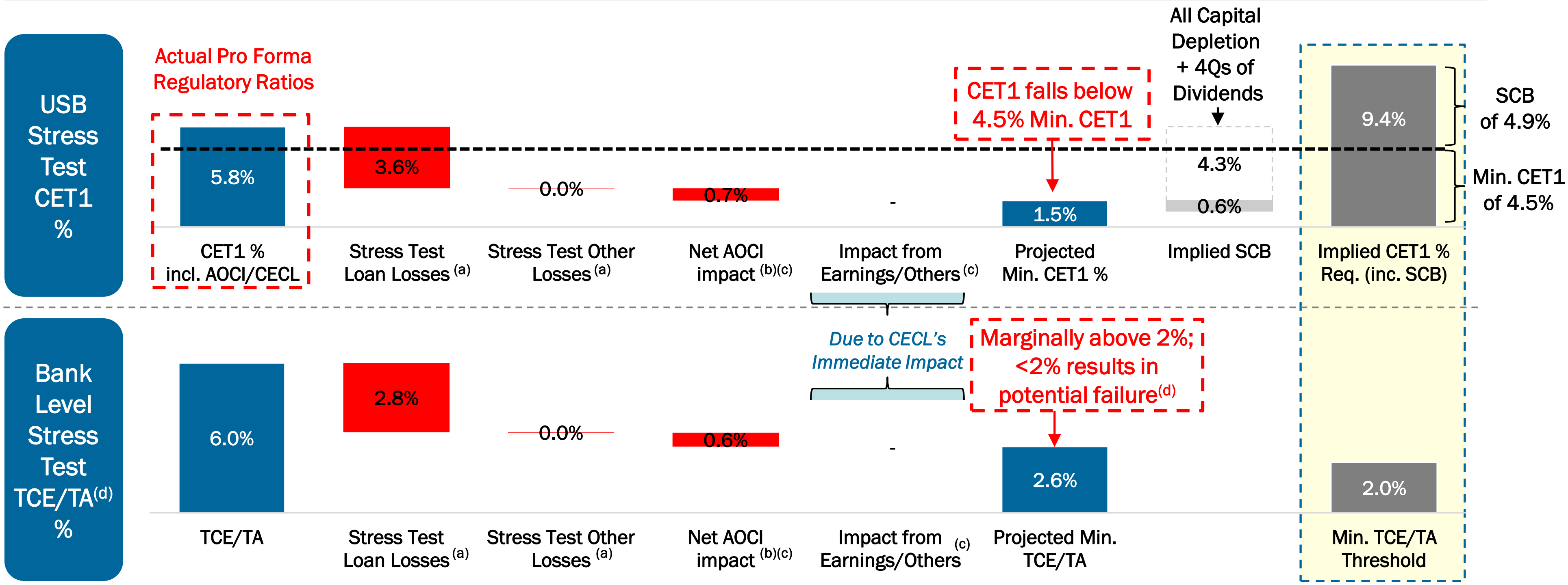
(b) Based on the HoldCo Stress Test Methodology described in footnote on page 43.

(c) Due to immediate impact of CECL implementation, no accretion of AOCI or impact from earnings/other capital activities are projected.

If We Further Incorporate Higher Rates Into the Same Stress Test, the Impact on USB's CET1 and TCE/TA Become More Prominent…

USB Stress Test (incl. Higher Rates) – Key Assumptions[(a)]:

1. USB treated as Category II Bank, resulting in CET1 to include the impact of AOCI
2. CECL fully implemented; Full phase-in of CECL reflected in CET1
3. Losses consistent with 2022 Fed's Stress Test, factoring in CECL (front-loaded, thus no accretion/earnings projected)
4. 100bps rate increase, immediately impacting AOCI through AFS securities



Source: *Company Filings, Federal Reserve.*

Note: See pages 43-46 for more detail on CECL.

(a) Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for Interest Rate Assumption where we assume 100bps rate increase affects the fair value of the AFS securities.

(b) Based on changes in the fair value of the AFS securities projected by HoldCo using a present-value calculation with an assumption of 100bps rate increase in forward curves as of 12/31/22. Making certain simplifying assumptions such as assuming that all AFS securities are fixed-rate in nature, does not assume gains or losses with respect to interest rate hedges, and using estimate for interest rates and maturities of securities based on disclosures provided in the 10-K.

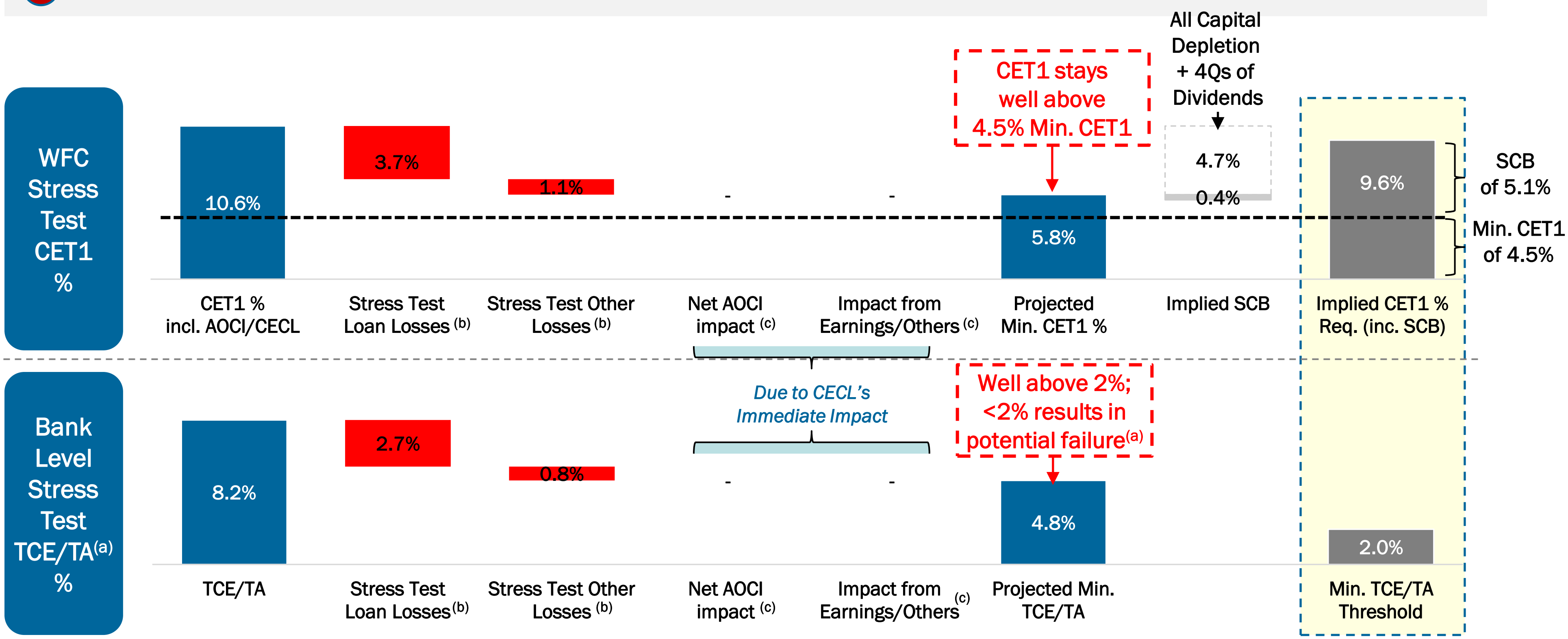
(c) Due to immediate impact of CECL implementation, no accretion of AOCI or impact from earnings/other capital activities are projected.

(d) See FDIC, "Chapter 5 - Prompt Corrective Action", for a discussion regarding mandatory resolution of critically undercapitalized banks—banks with a tangible equity to total assets ratio below 2%. Since neither USB nor WFC have bank level preferred equity, we believe that tangible common equity to tangible assets is a close proxy for calculating such ratio. TCE and TA are calculated as total common equity and total assets adjusted for goodwill/intangible assets (net of deferred tax liabilities) as adjusted for CET1 per its bank call report.

…While WFC Maintains Both CET1 and Bank-Level TCE/TA Well Above its Minimum CET1 of 4.5% and TCE/TA Threshold of 2%[a] Under the Same Stress Test (With No Higher Rates)

WFC Stress Test – Key Assumptions[b]:

1. CECL fully implemented; Full phase-in of CECL reflected in CET1
2. Losses consistent with 2022 Fed's Stress Test, factoring in CECL (front-loaded, thus no accretion/earnings projected)
3. Interest rates are assumed to be remain constant relative to FY2022



Source: *Company Filings, Federal Reserve.*

Note: See pages 43-46 for more detail on CECL.

(a) See FDIC, "Chapter 5 - Prompt Corrective Action", for a discussion regarding mandatory resolution of critically undercapitalized banks—banks with a tangible equity to total assets ratio below 2%. Since neither USB nor WFC have bank level preferred equity, we believe that tangible common equity to tangible assets is a close proxy for calculating such ratio. TCE and TA are calculated as total common equity and total assets adjusted for goodwill/intangible assets (net of deferred tax liabilities) as adjusted for CET1 per its bank call report.

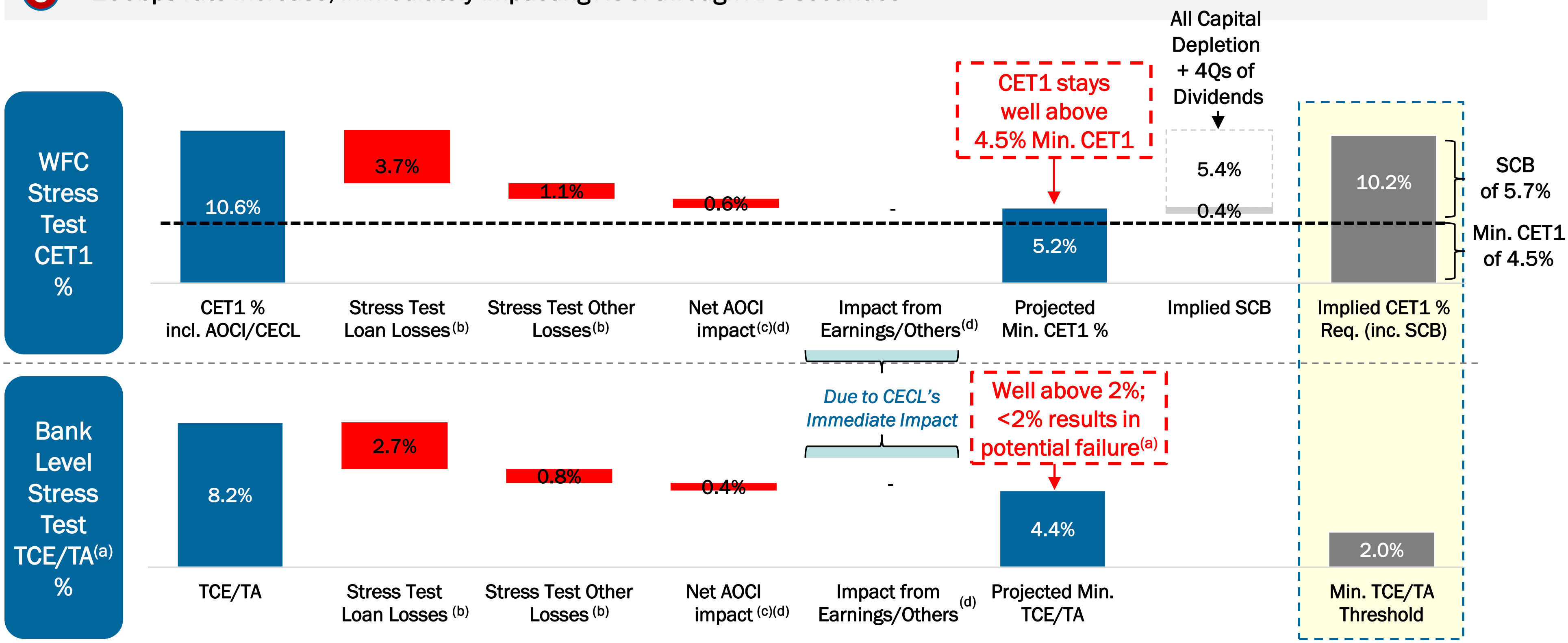
(b) Based on the HoldCo Stress Test Methodology described in footnote on page 43.

(c) Due to immediate impact of CECL implementation, no accretion of AOCI or impact from earnings/other capital activities are projected.

…And WFC Still Maintains Both CET1 and Bank-Level TCE/TA Above its Minimum CET1 of 4.5% and TCE/TA Threshold of 2%[(a)] Under the Stress Test Including Higher Rates

WFC Stress Test (incl. Higher Rates) – Key Assumptions[(b)]:

1. CECL fully implemented; Full phase-in of CECL reflected in CET1
2. Losses consistent with 2022 Fed's Stress Test, factoring in CECL (front-loaded, thus no accretion/earnings projected)
3. 100bps rate increase, immediately impacting AOCI through AFS securities



Source: *Company Filings, Federal Reserve.*

Note: See pages 43-46 for more detail on CECL.

(a) See FDIC, "Chapter 5 - Prompt Corrective Action", for a discussion regarding mandatory resolution of critically undercapitalized banks—banks with a tangible equity to total assets ratio below 2%. Since neither USB nor WFC have bank level preferred equity, we believe that tangible common equity to tangible assets is a close proxy for calculating such ratio. TCE and TA are calculated as total common equity and total assets adjusted for goodwill/intangible assets (net of deferred tax liabilities) as adjusted for CET1 per its bank call report.

(b) Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for Interest Rate Assumption where we assume 100bps rate increase affects the fair value of the AFS securities.

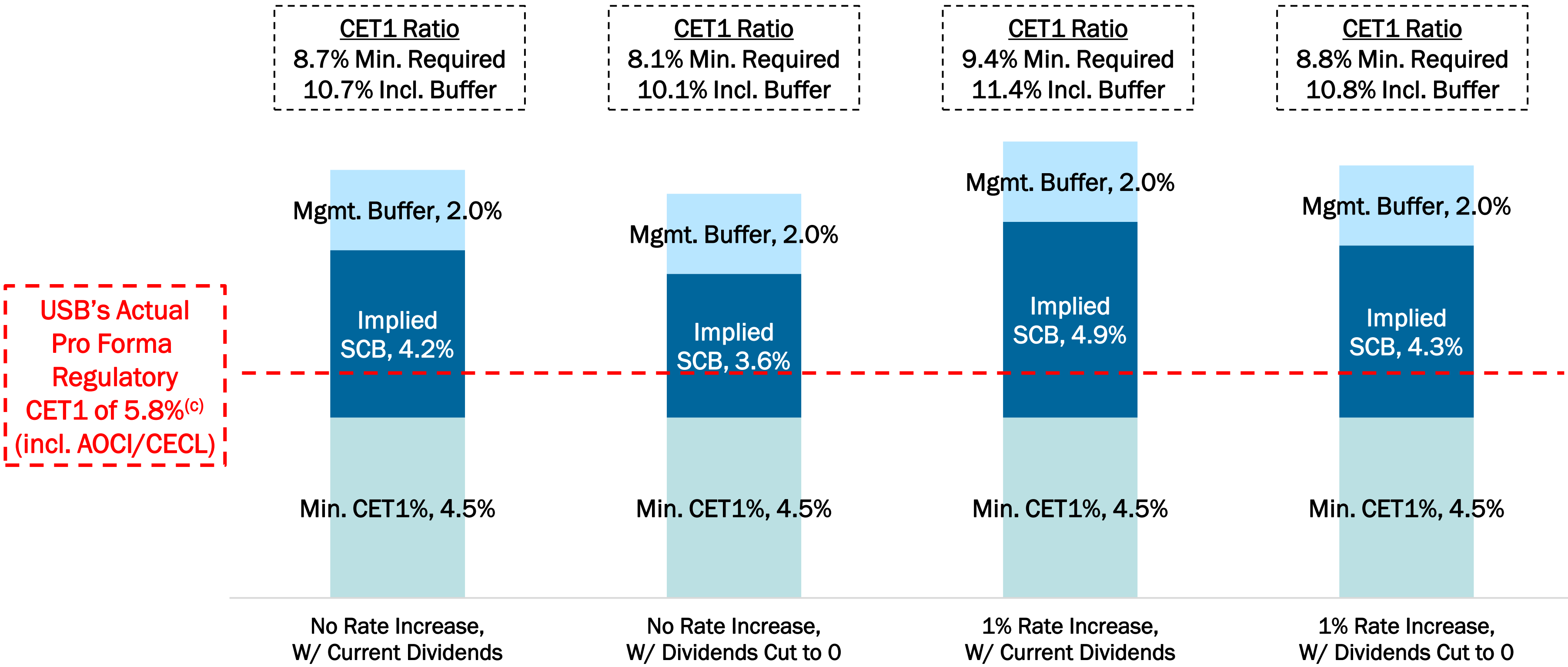
(c) Based on changes in the fair value of the AFS securities projected by HoldCo using a present-value calculation with an assumption of 100bps rate increase in forward curves as of 12/31/22. Making certain simplifying assumptions such as assuming that all AFS securities are fixed-rate in nature, does not assume gains or losses with respect to interest rate hedges, and using estimate for interest rates and maturities of securities based on disclosures provided in the 10-K.

(d) Due to immediate impact of CECL implementation, no accretion of AOCI or impact from earnings/other capital activities are projected.

HOLDCO ASSET MANAGEMENT

Running the Same Stress Test Scenarios We Applied on Pages 49 and 50, We Find That USB's Capital Needs to Grow Substantially

Estimated USB's Capital Raises Across Different Scenarios[a][b]



Est. Dilution[b]

	No Rate Increase, W/ Current Dividends	No Rate Increase, W/ Dividends Cut to 0	1% Rate Increase, W/ Current Dividends	1% Rate Increase, W/ Dividends Cut to 0
To Min. Required CET1	21%	18%	25%	22%
To Target Incl. Buffer	31%	29%	34%	32%

Source: *Company Filings, S&P Capital IQ Pro.*

Note: Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for Interest Rate Assumption where we assume either 0bps or 100bps rate increase which affects the fair value of the AFS securities.

(a) Implied stress capital buffer is calculated consistently with the previous Stress Test Scenarios, with the exception of the "W/ Dividends Cut to 0" scenarios where $0 dividends are assumed for purpose of calculating implied SCB. See more details on assumptions in pages 49 & 50.

(b) Dilution calculation is based on the current stock price of USB as of 4/14/23, and USB's CET1 including AOCI and full phase-in of CECL.

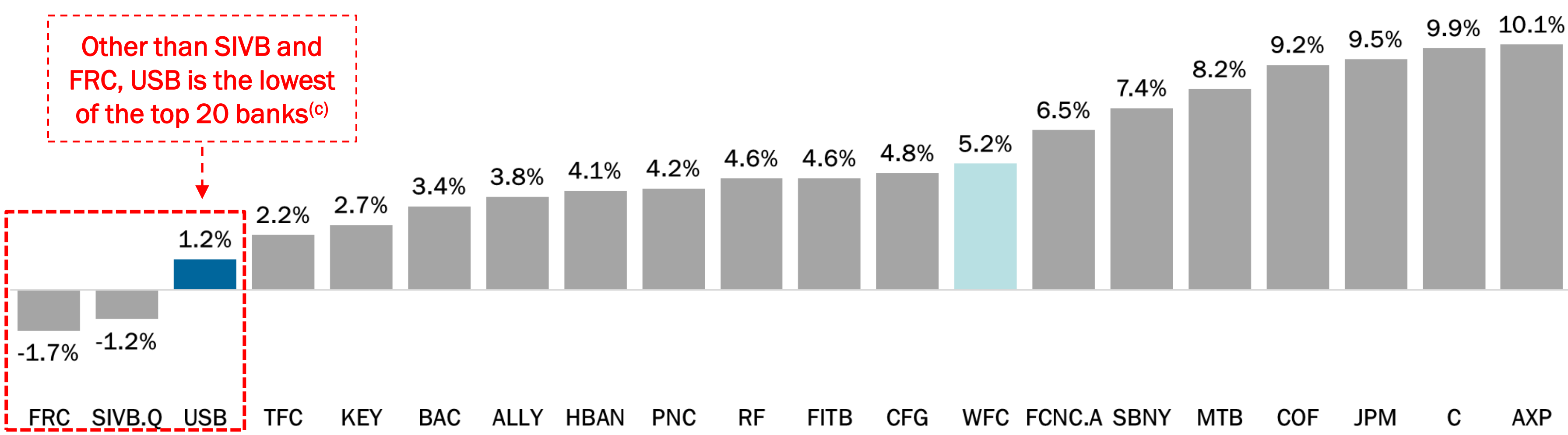
(c) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

The Lessons of Silicon Valley Bank and First Republic Bank Haunt the Fed Like a Ghost on Halloween

Recent bank failures demonstrate that solvency, even if not reflected in capital, should matter to regulators; if a bank has zero/negative equity, it cannot be sold/raise capital and will cost taxpayers[(a)]

- When one adjusts for interest rates marks alone (**not credit**) we believe the solvency of USB is called into question and it finds close resemblance only by gazing at failed Silicon Valley Bank and "zombie bank" First Republic Bank ("FRC")
- SIVB could not raise capital, leading to a bank run; post-failure, the FDIC was unable to find a suitable buyer, and the FDIC estimates the cost of resolving SIVB to be ~$20Bn
- Currently a "zombie bank", FRC appears to have been unable to find a buyer at any price; it is now a monstrosity
- Had these banks been forced to raise significant capital before March 2023, FRC could have been sold to another bank and SIVB could have raised capital; or at a minimum, taxpayers would have lost less

CET1 Ratio incl. AOCI / CECL, HTM, and 1-4 Family Mortgage Losses[(b)]



Source: S&P Capital IQ Pro as of 04/05/2023. Gruenberg Testimony as of 03/28/2023. Balances as of 4Q22.

(a) Though recovery in the form of special assessment primarily impacts banks, costs may be passed on to their taxpaying customers.

(b) Calculated by HoldCo as AOCI, HTM Fair Value losses, & 1-4 Family Mortgage losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. HTM Fair Value losses tax adjusted at 21%. 1-4 Family Mortgage losses calculated by HoldCo by first determining the mix of 1-4 Family Loans maturing in 5-15 years and >15 years ("maturity category"), which is implied based on the percentage mix of each maturity category disclosed in each bank's largest bank subsidiary Call Report. Then, HoldCo estimates the loss discount on each maturity category based on a present value calculation assuming the following: all loans are fixed rate, monthly cash flows, 4.9% for the annual discount rate (which represents the average spread over the last 10 years between the "Freddie Mac US Mortgage Market Survey 30 Year Homeowner Commitment National" and the 30 Year Treasury Yield, plus the current 30-Year Treasury Yield as of 4/6/22), cash flows based on the 2022 Yield on 1-4 Family Loans for each bank as calculated by S&P from regulatory filings (interest income on 1-4 family loans / avg. loans secured by 1-4 family loans), and an assumed duration of either 10 years when calculating the loss discount for the 5-15 maturity category or 20 years for the >15 years maturity category. Each loss discount is then applied to the percent mix of each maturity category to calculate the total losses for each maturity category. These losses are then tax-adjusted by 21% and reduced from CET1. No losses are assumed for 1-4 Family Mortgages that mature in < 5 years. These calculations result in the following estimated fair value loss on total 1-4 Family Loans for the banks above: FRC 12%, SIVB.Q 12%, USB 11%, TFC 9%, KEY 12%, BAC 15%, ALLY 18%, HBAN 7%, PNC 9%, RF 11%, FITB 11%, CFG 10%, WFC 13%, FCNC.A 8%, SBNY 1%, MTB 5%, COF 1%, JPM 13%, C 13% and AXP 0%.

(c) Top 20 banks based on deposits – excludes nontraditional banks (i.e., investment banks, trust banks and international banks) and includes SIVB.Q/SBNY.

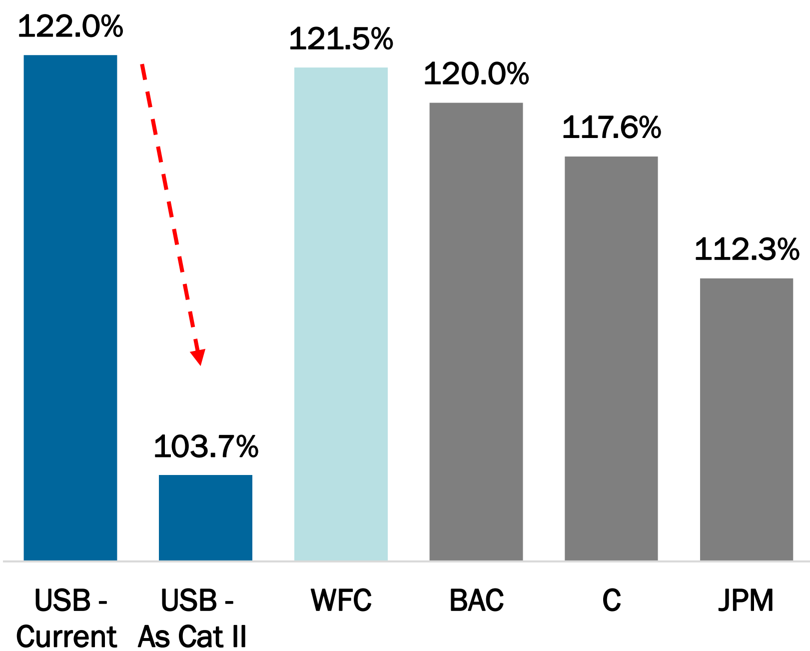
Lastly, USB's LCR Will Drop Sharply as a Category II Institution

Even before any potential regulatory changes, USB will have the lowest LCR (once labeled a Category II institution) compared to other Category I/II banks[(a)]

- Any potential regulatory change that impacts the eligibility of securities considered in high-quality liquid assets ("HQLA") may cause USB's LCR to fall below minimum required levels

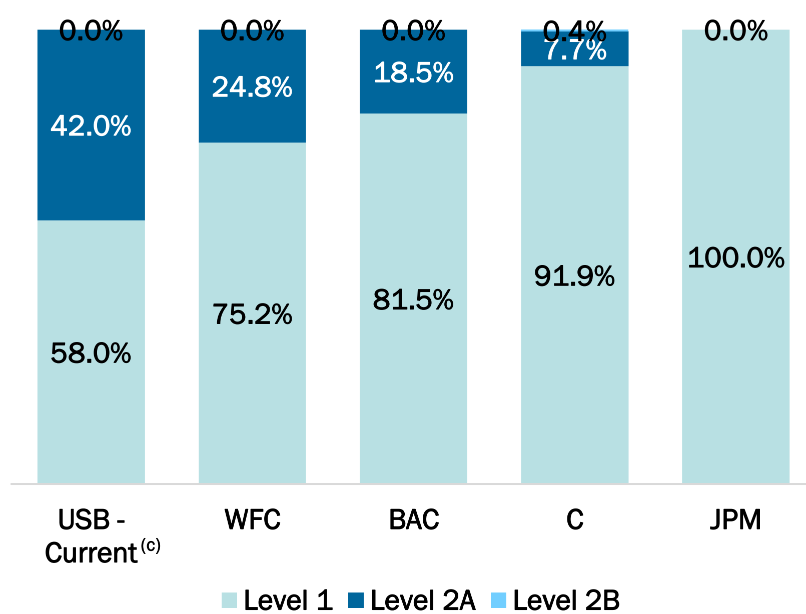
LCR Ratios – USB vs. Other Category I/II Institutions

When treated as a Category II institution, USB's 85% outflow adjustment would increase to 100%, resulting in LCR levels to drop to 103.7%, barely above the 100% minimum



HQLA Composition

USB has a substantially higher percentage of "Level 2a" HQLAs, which "have characteristics that are associated with being relatively stable and significant sources of liquidity, <u>but not to the same degree as Level 1 liquid assets</u>"[(b)]



Source: Company filings for the period ended 12/31/22, Federal Register.

(a) Analysis excludes trust and investment banks.

(b) Quote from *Federal Register: "Liquidity Coverage Ratio: Liquidity Risk Measurement Standards; Final Rule" as of 10/10/14.*

(c) Per USB's LCR public disclosure for the period ended 12/31/2022. Figures include excess eligible HQLA held by the Company's U.S. Bank Subsidiary that are disregarded for purposes of calculating the Company's eligible HQLA on a consolidated basis.

HOLDCO
ASSET MANAGEMENT

V. USB's Capital Inadequacy Under Potentially New Rules

HOLDCO
ASSET MANAGEMENT

All Indications Point to Substantial Regulatory Reform

Barr is "committed" to improving capital, liquidity, and stress testing to prevent further contagion risk, and President Biden "urges regulators to reverse Trump Administration weakening of common-sense safeguards and supervision for large regional banks"

Senator Tina Smith: "The Fed, **under the previous vice chair of supervision put into place rules** that I think there's a question about whether those rules, **I mean even in the moment you were critical of those rules, is that right**?"

Michael Barr: "**Yes, that is correct.**"

Senator Tina Smith: "And so your review will take a look at what would have happened if those rules hadn't been in place and then you can make decisions about what new rules need to be in place to protect from this kind of extraordinary situation that we saw with these two banks, is that correct?

Michael Barr: "Yes, that's correct."

- Senate Hearing, "Recent Bank Failures and the Federal Regulatory Response, 3/28/23

"**President Biden urges the federal banking agencies**, in consultation with the Treasury Department, **to consider** a set of reforms…including: "**Reinstating rules that were rolled back in the previous Administration…including: Liquidity requirements and enhanced liquidity stress testing…annual supervisory capital stress tests…strong capital requirements for banks…expanding long-term debt requirements** to a broader range of banks…"

- White House Fact Sheet, 3/30/23

"**We will need to enhance our stress testing with multiple scenarios so that it captures a wider range of risk…We must also explore changes to our liquidity rules and other reforms** to improve the resiliency of the financial system."

- Michael Barr Testimony, 3/27/23

"**I think it's important for us to strengthen capital and liquidity rules…with a long term debt requirement that will provide an additional cushion**, in addition to capital**…that is really important work for us to do and I am committed to doing it.**"

- Michael Barr, Senate Hearing, 3/28/23

"…**I agree it would be useful to test for higher rising interest rates, that's why in our alternative scenario that we put in place for this year's stress test we do that.** Those decisions were made before I arrived, but I agree with you…"

- Michael Barr, Senate Hearing, 3/28/23

Source: Barr Testimony, Senate Hearing, Federal Register, The White House.

Regulators Now Understand that Held-to-Maturity Securities are Illiquid

The failure of SIVB woke regulators up to the reality that the held-to-maturity basket of securities (which SIVB had in abundance) is not a source of liquidity in today's high rate environment and we believe that losses in this basket will be considered in the context of regulatory capital

Currently, the fair value ("FV") of unencumbered held-to-maturity ("HTM") securities are considered high-quality liquid assets ("HQLA") in liquidity coverage ratio ("LCR") calculations

- However, if a held-to-maturity security is actually sold, pursuant to accounting rules the entirety of held-to-maturity unrealized losses are taken through regulatory capital immediately, except in certain limited circumstances

- The purpose of LCR is to ensure that banks can fund outflows and do not need to rely on emergency funding from the Federal Reserve or other parties
- The collapses of SIVB/SBNY demonstrate that, if the total mark on unencumbered HTM securities is sufficiently large relative to capital, those HTM securities are effectively illiquid
- We believe that banks should only be able to treat their held-to-maturity securities as HQLA if they are prepared to account for unrealized losses of this basket in regulatory capital (i.e. only if they have enough capital to bear the loss to the extent they were required to liquidate these securities in the event of deposit outflows)
  - Otherwise, the Fed will have allowed the important liquidity coverage rules to be turned into a mockery since its measure will not in fact reflect a bank's ability to sell assets to meet potential deposit outflows
  - Following the fastest and largest bank run in history (SIVB), we do not think the Fed can allow this to happen
- For this reason, we believe new regulations should give banks the option to either (a) exclude HTM securities from LCR calculations, or alternatively, (b) allow HTM securities to be included within LCR calculations but flow tax-adjusted unrealized losses through CET1

A Partial Sale of HTM Securities Causes The Entirety of The Basket to Flow Through Capital

"An entity is not allowed to classify any financial assets as held to maturity if more than an insignificant amount of held to maturity investments has been sold or reclassified before maturity, except in certain limited circumstances. This is often described as the "tainting rule." **The practical result of the portfolio being tainted is that the held to maturity investments will have to be classified as available for sale i.e. carried at fair value rather than at amortised cost."** [as a result, any losses in the HTM portfolio will flow through capital]

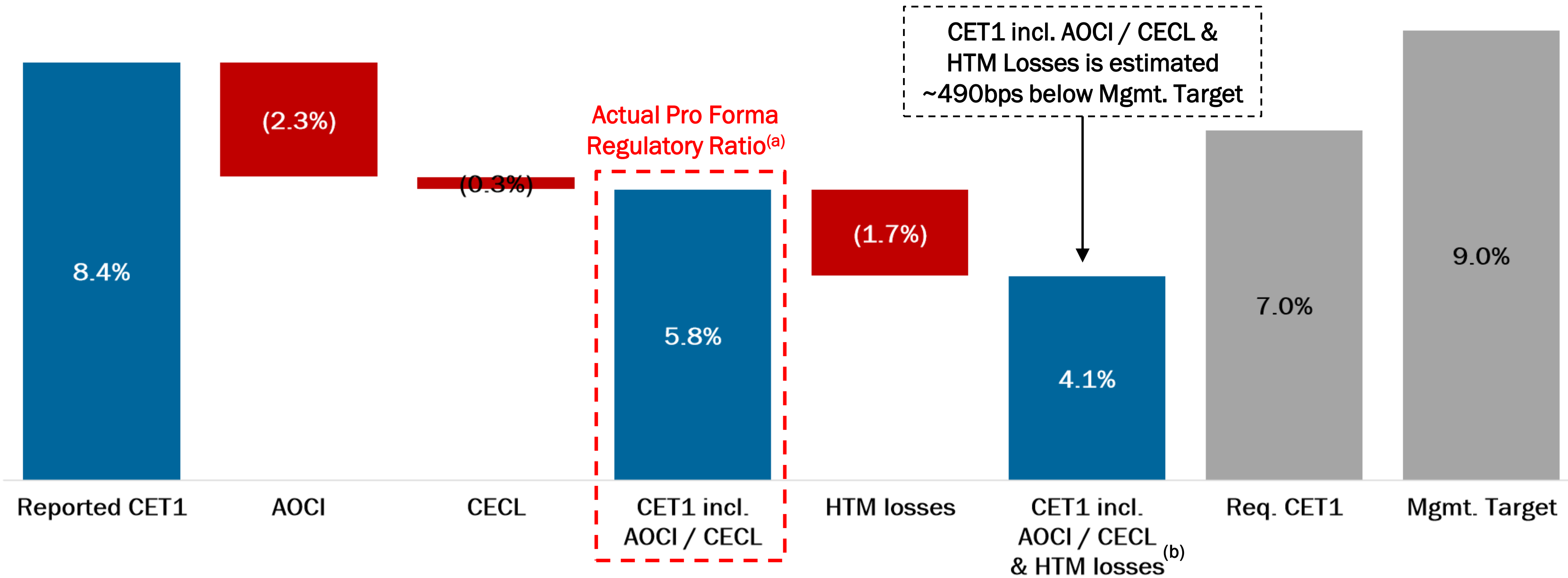
- *The KPMG Guide FRS 139, Financial Instruments: Recognition and Measurements*

Source: Barr Testimony, KPMG, Federal Register.

USB's Capital Levels are Crushed by HTM M2M Losses

USB has large mark-to-market ("M2M") losses on its held-to-maturity ("HTM") securities; if regulatory changes incorporate HTM M2M losses, USB capital levels fall significantly further below required levels and as shown on page 35, USB's capital when adjusted both for AOCI and HTM unrealized losses is amongst the worst of all reasonably sized publicly traded banks

Estimated USB CET1 Ratio incl. AOCI / CECL & Tax-adj. HTM M2M Losses[(a)]



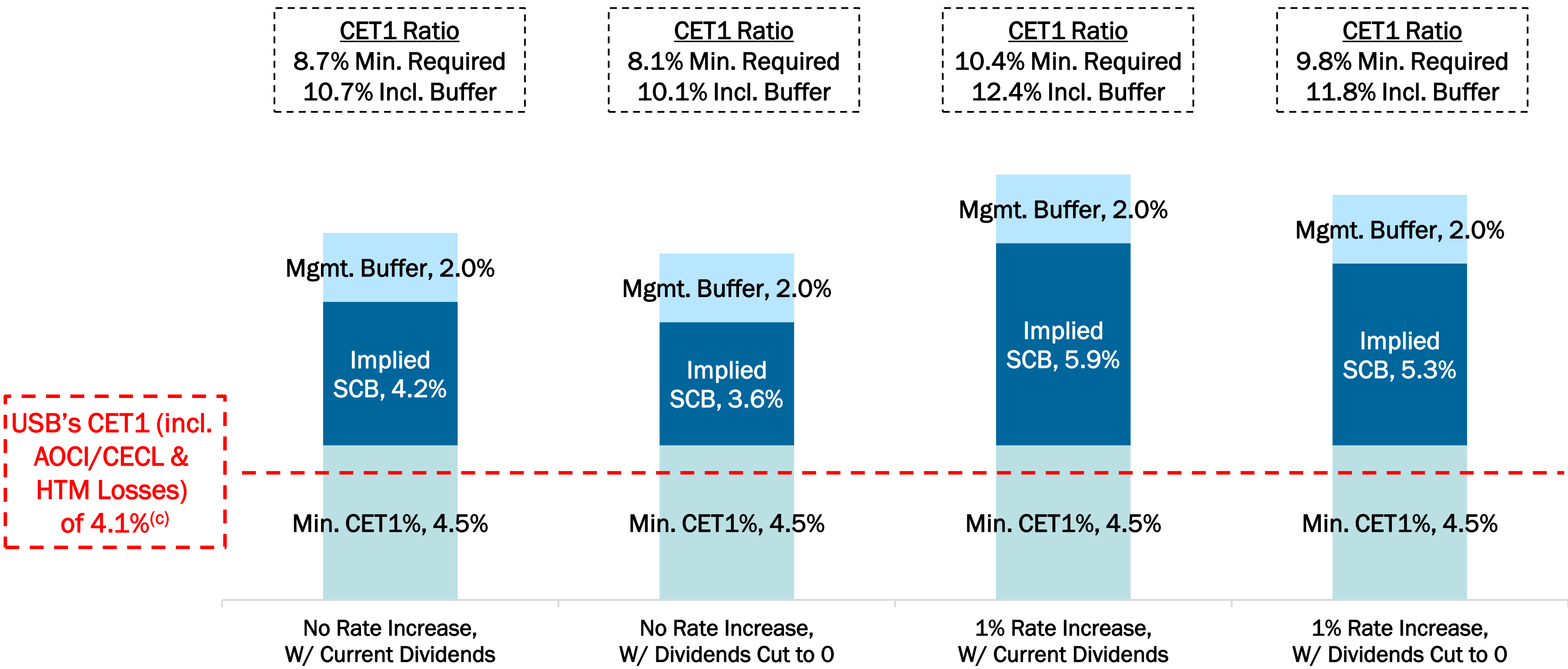
Source: *Company Filings, S&P Capital IQ Pro, Federal Register. Balances as of 4Q22.*

(a) Calculated by HoldCo as AOCI realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

(b) Calculated by HoldCo with same calculations as footnote (a) but including HTM fair value losses, tax adjusted.

Running The Same Stress Test We Applied on Pages 49 and 50 and if HTM Losses are Taken Through Capital, USB Needs to Raise Significantly More Capital

Estimated USB's Capital Raises Across Different Scenarios [a][b]



Est. Dilution[b]

	No Rate Increase, W/ Current Dividends	No Rate Increase, W/ Dividends Cut to 0	1% Rate Increase, W/ Current Dividends	1% Rate Increase, W/ Dividends Cut to 0
To Min. Required CET1	30%	27%	37%	35%
To Target Incl. Buffer	38%	36%	44%	42%

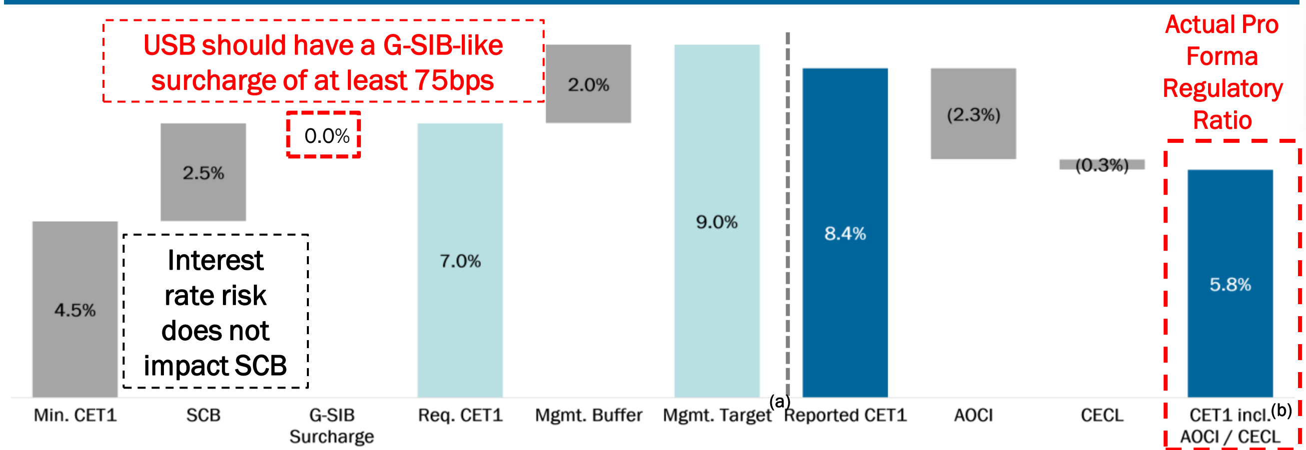
Source: *Company Filings, S&P Capital IQ Pro.*
Note: Based on the HoldCo Stress Test Methodology described in footnote on page 43, except for Interest Rate Assumption where we assume either 0bps or 100bps rate increase which affects the fair value of the AFS securities.
(a) Implied stress capital buffer is calculated consistently with the previous Stress Test Scenarios, with the exception of the "W/ Dividends Cut to 0" scenarios where $0 dividends are assumed for purpose of calculating implied SCB. See more details on assumptions in pages 49 & 50.
(b) Dilution calculation is based on the current stock price of USB as of 4/14/23, and USB's CET1 including AOCI, full phase-in of CECL and HTM M2M losses, tax-adjusted.
(c) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1 and HTM M2M losses, tax adjusted.

USB Should Be Treated Like G-SIBs With Higher Capital Requirements

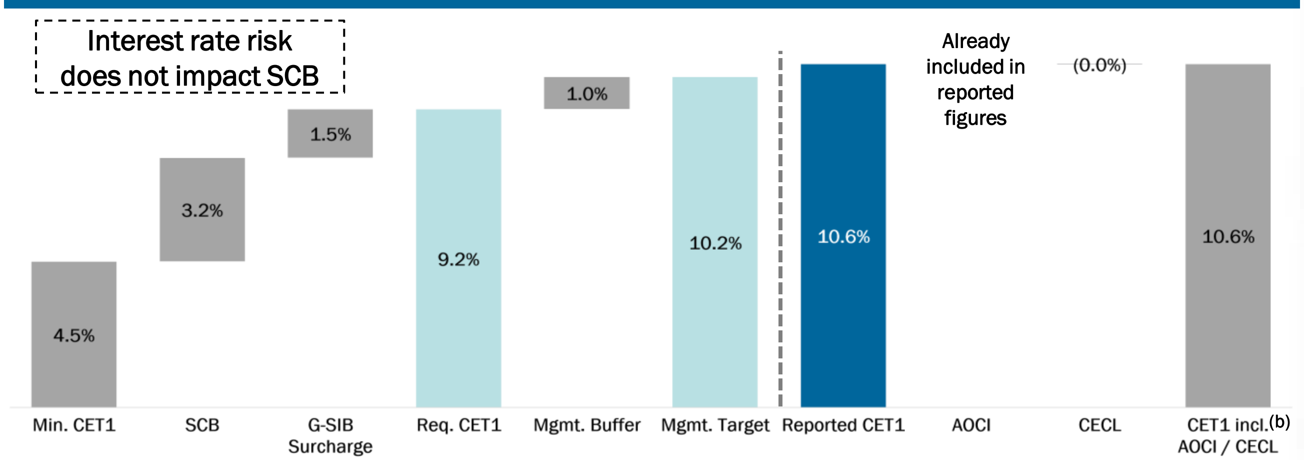
If the failures of SIVB and SBNY can trigger a systemic risk exemption, the failure of USB, the fifth largest bank in the U.S., would be much worse and requires a G-SIB-like buffer of at least 75bps

- It defies reasonable judgment for USB to lack a G-SIB-like surcharge when WFC has 1.5%

USB CET1 Ratio Breakdown



WFC CET1 Ratio Breakdown



"I anticipate the need to strengthen capital requirements for firms over $100 billion."
- Michael Barr, 3/28/23

"…In 2018, Congress passed a bill that relaxed regulations for institutions like Silicon Valley Bank, that law…exempted those banks from enhanced prudential standards, stress tests, raised the threshold at which a bank would be considered systemically important, but even as that law kept SIVB off the list of systemically important institutions, the Fed and the FDIC, rightly cited systemic risk to justify their actions to prevent runs on other banks…**that sounds like a distinction without a difference, if any single bank's failure can cause contagion…that bank should be considered systemically important.**"
- Sen. Bob Menendez, 3/28/23

"**…the stress test is not the primary way that** the Federal Reserve or other **regulators test for interest rate risk**…I agree…that **it would be useful to test for higher rising interest rates.**"
- Michael Barr, 3/28/23

Source: *Company Filings, Barr Testimony, Senate Hearing.*

(a) During 3Q 2021 following the Union Bank acquisition, management disclosed "after the closing… we expect to operate at a CET1 capital ratio between our target ratio and 9.0%."

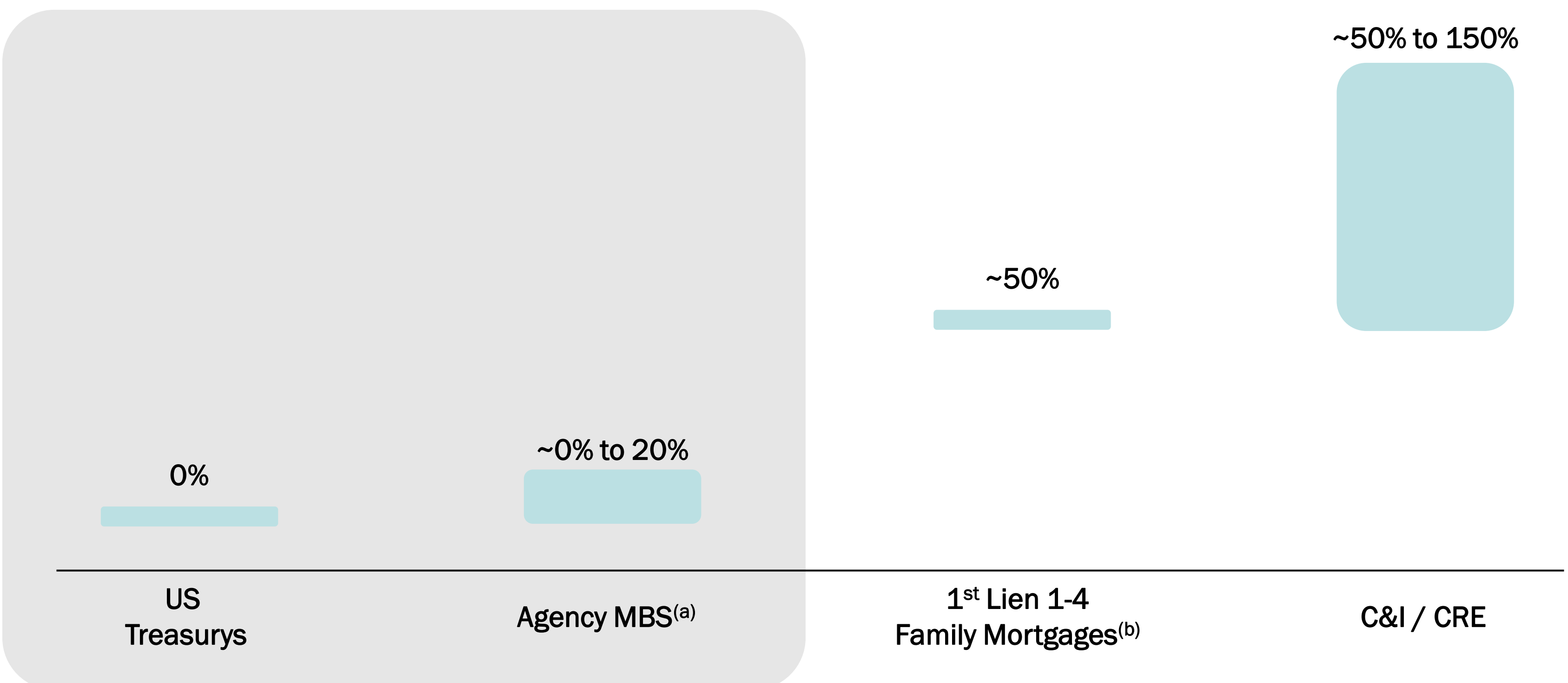
(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

Regulatory Risk Weightings for Loans and Securities

Very low risk weightings for long-duration Treasurys and government-backed Mortgage-Backed Securities ("MBS") encouraged banks to invest heavily in these asset classes;

A 30-year, fixed rate, callable MBS instrument, in HoldCo's view, should not have a 20% risk-weighting and the Fed's willingness to allow this speaks volumes for its (lack of) understanding of duration risk

CET1 Risk Weightings[(a)(b)(c)]



Source: St. Louis Federal Reserve Branch and FDIC.

(a) GNMA MBS exposures have a 0% risk weighting, while FNMA and FHLMC exposures have a 20% risk weighting.

(b) 1L 1-4 Family Mortgages that are assigned 50% risk-weightings are "made in accordance with prudent underwriting standards" as per FDIC.

(c) CRE and C&I exposures assigned these risk-weightings are assumed to not be "collateralized by deposits at the reporting institution" and not covered by an FDIC loss-sharing agreement. Risk weighting from 50% to 150% for these loans depends on whether loans are secured by collateral and/or have a guarantee that qualifies for a given risk weighting.

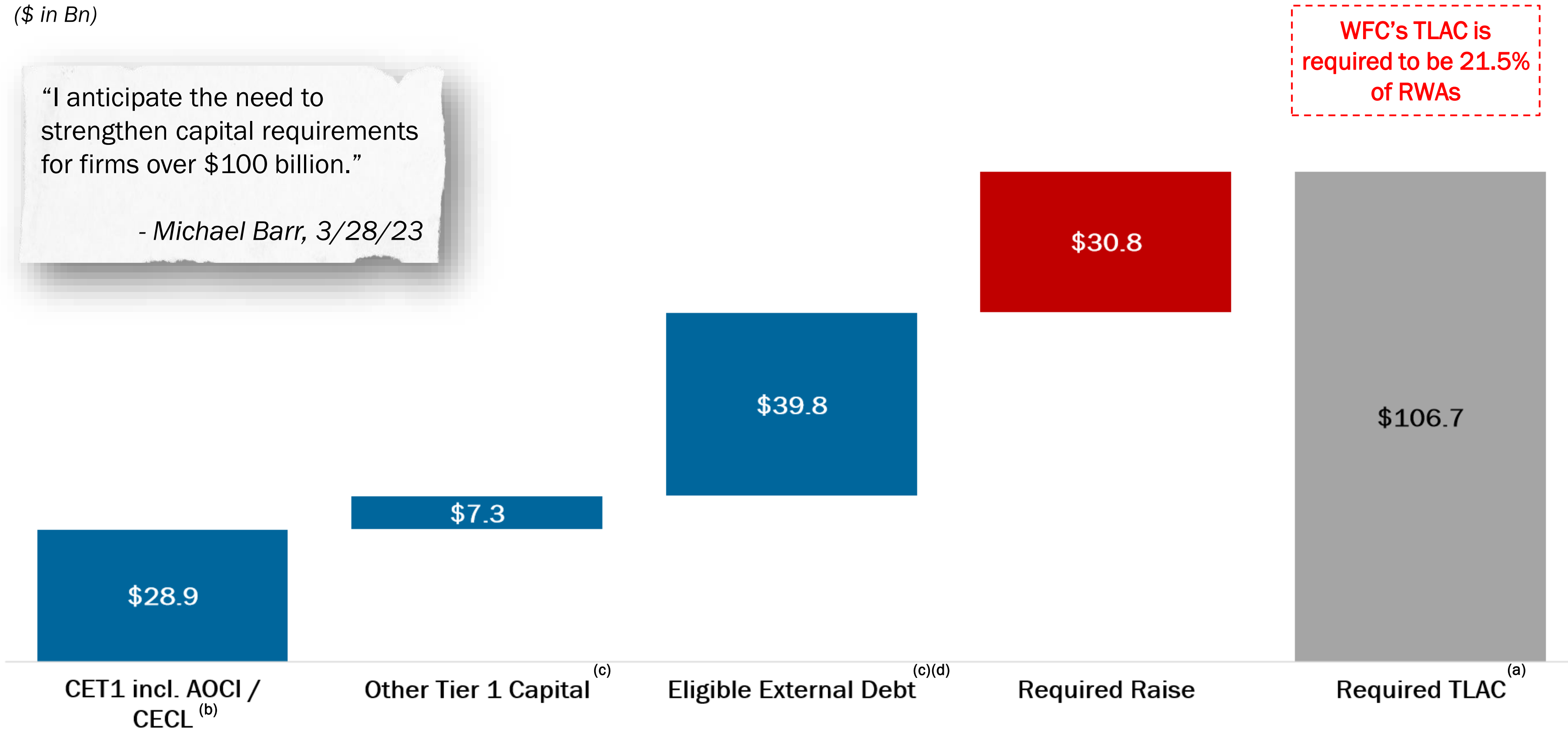
Based on Recent Regulatory Commentary, USB May Be Required to Raise Debt and Increase Assets to Meet TLAC Requirements

USB would likely need to raise ~$31 billion assuming TLAC requirements are the same as WFC's[a]

Estimated Required Capital Raise for USB to Meet WFC's TLAC Requirements

($ in Bn)

> "I anticipate the need to strengthen capital requirements for firms over $100 billion."
>
> \- *Michael Barr, 3/28/23*



Source: Company Filings, S&P Capital IQ Pro, Barr Testimony.

Note: Data as of December 31, 2022. Based on HoldCo's estimations to derive USB's TLAC using WFCs current requirements.

(a) WFC's 21.5% requirement consists of an 18.0% baseline RWA requirement and a TLAC buffer "equal to 2.50% of RWAs + method one G-SIB capital surcharge + any countercyclical buffer." (WFC FY22 10-K). Note that this calculation includes method one G-SIB capital surcharge, which would not apply to USB under current rules but may change post any potential regulatory reform.

(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

(c) TLAC "[consists] of CET1 capital and additional Tier 1 capital issued directly by the top-tier or covered BHC plus eligible external long-term debt." (WFC FY22 10-K). For the purposes of this calculation, HoldCo assumes all remaining Tier 1 capital and long-term debt are eligible.

(d) Long-term debt taken from "Selected Financial Data" in USB's FY22 10-K.

HOLDCO
ASSET MANAGEMENT

VI. Simple Math Behind HoldCo's Trade: LONG Wells Fargo, SHORT USB

HOLDCO ASSET MANAGEMENT

A Simplified Valuation Framework

- If we can agree that in today's "low-growth" and "higher rate" world, loan growth is unlikely to be a significant driver of valuations…
  - Then a key distinguishing factor lies in a bank's deposit franchise, where loyal and sticky **low-cost deposits** in this environment **have real and substantial franchise value**

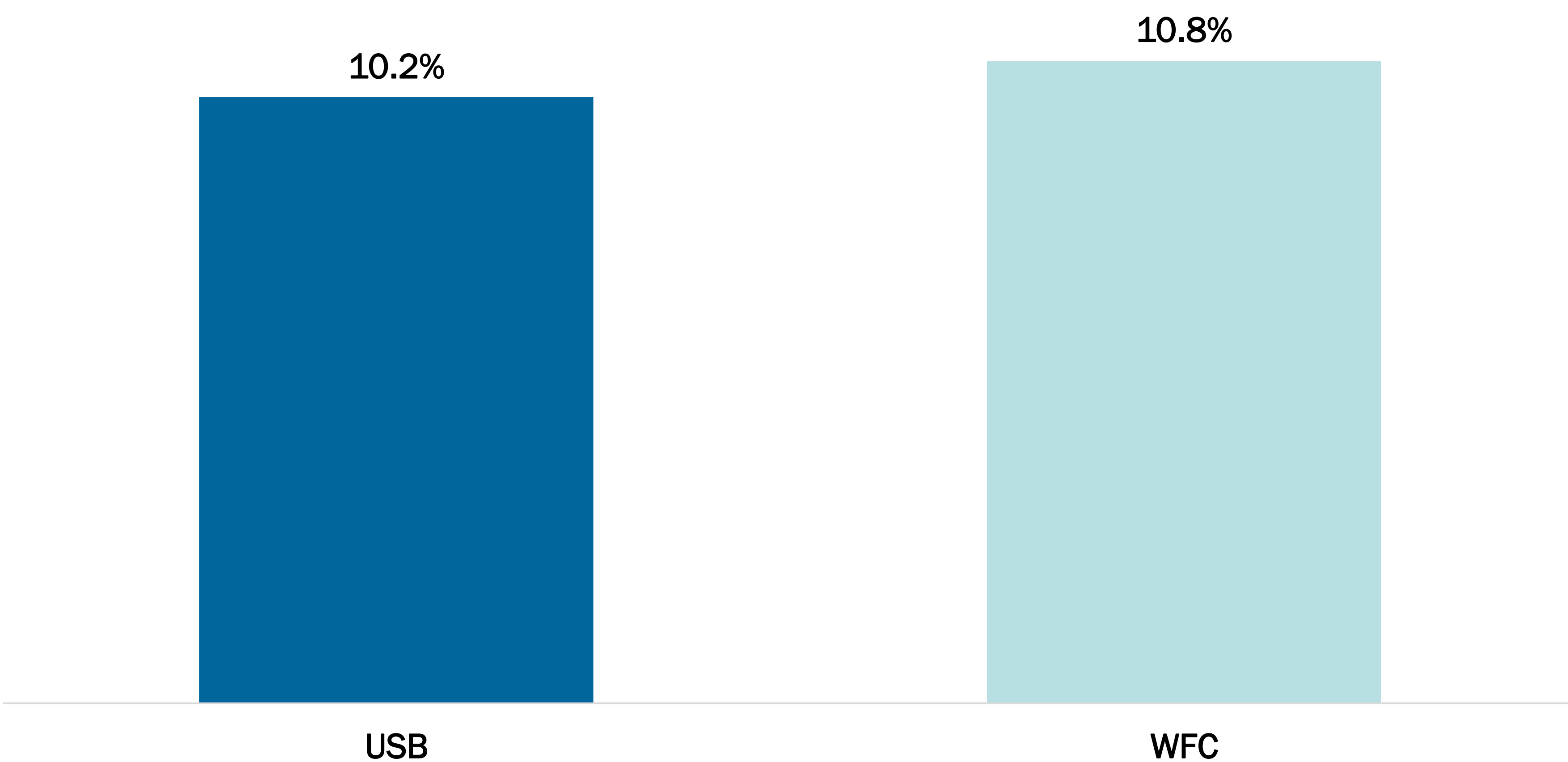
Thus, we would expect that for two similar banks with similar fee streams and expenses, earnings would be roughly correlated with deposit size and the ratio of Market Cap. / Total Deposits would be roughly the same

- However, **this relationship would not hold** if material differences existed between two banks:

1. If Bank A had mistakenly invested in long-duration, fixed rate securities and Bank B had not, Bank A would trade at a lower Market Cap. / Deposits ratio
2. If Bank A had riskier loans and recession fears were high, Bank A would trade at a lower Market Cap. / Total Deposits ratio
3. If Bank A had worse deposits than Bank B (either a lower percentage of non-interest-bearing deposits or a higher cost of interest-bearing deposits), Bank A would trade at a lower Market Cap. / Total Deposits ratio
4. And lastly and perhaps most importantly, if Bank A had less capital relative to its regulated mandated capital requirements and/or internal targets than Bank B, Bank A would trade at a lower Market Cap. / Deposits ratio

The Similar Ratio Between Wells Fargo and USB Suggests that These Two Banks Are Similar Across These Material Metrics

Market Cap / Total Deposits



Source: Company Filings, S&P Capital IQ Pro.
Note: Data as of full year ended December 31, 2022. Market data as of April 14, 2022.

And, In Fact, As Shown on Pages 17 to 21 and Below, Wells Fargo Is Similar or Slightly Better Across A Number of Metrics…

	usbancorp	WELLS FARGO	Similar?	Page Ref.
Valuation	1.8x TCE 10% Market Cap/Deposits	1.1x TCE 11% Market Cap/Deposits	WFC Lower Price/TCE	69
Problem Asset Mix (% of Tang. Assets)	18% MBS; 20% 1-4 Family Loans	15% MBS; 15% 1-4 Family Loans	WFC Better Asset Mix	18
CRE Loans / TCE	179%	105%	WFC Lower CRE Concentrations	18
Non-Interest-Bearing Deposit Mix	26% (~44% Retail)	33% (~62% Retail)	WFC Better Deposit Mix	19
IB Deposit Beta (Current Cycle)	31%	19%	WFC Lower Deposit Beta	19
Loan Growth Since 2019	31%	0%	WFC's growth limited due to asset cap	28
Deposit Growth Since 2019	45%	5%	WFC's growth limited due to asset cap	28
Non-interest Income (% of Total Revenue)	39%	38%	✓	20
Financial Crisis Credit Performance	7% NCOs/Avg. Loans (Total 2009-2013)	7% NCOs/Avg. Loans (Total 2009-2013)	✓	21
Loan / Securities Mix (% of Tang. Assets)	60% / 25%	52% / 22%	✓	18

Source: Company Filings, S&P Capital IQ Pro as of 4/14/2023.

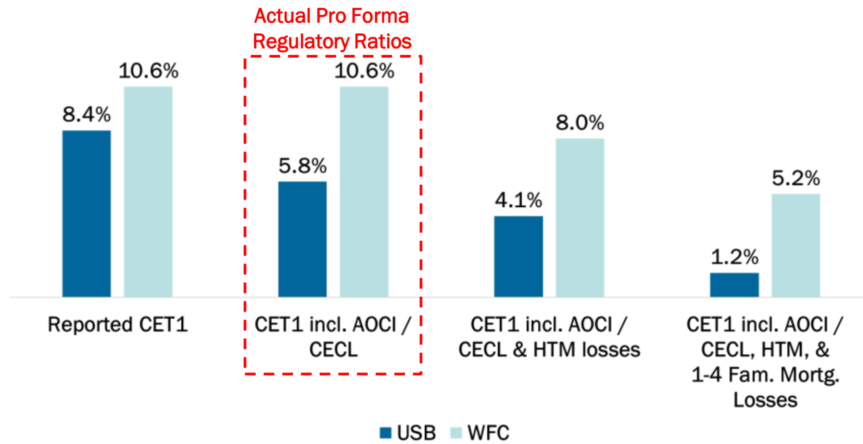
Note: Data as of 4Q22.

Including the Key Metrics Identified On Page 65, With the Notable Exception of Regulatory Capital Ratios…

Summary

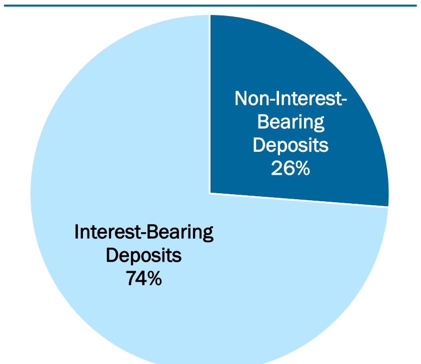
1. WFC has a lower mix of long-dated, fixed rate securities (29% Problem Assets vs. USB at 37%)[a]
2. WFC's lack of loan growth since 2019 and CRE exposure implies significantly better credit quality
3. WFC deposit base is significantly more attractive and less costly/rate sensitive
4. WFC has significant excess capital relative to required regulatory ratios and capacity for buybacks

WFC Has Excess Capital vs. USB Has a Capital Deficiency[b]

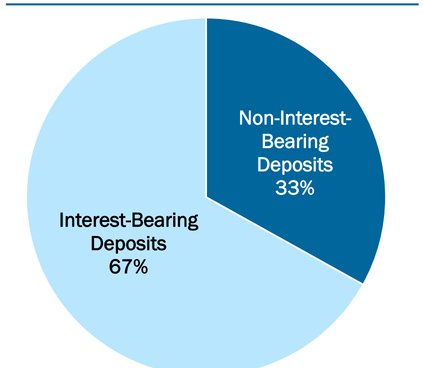


WFC Has A Better Deposit Base (4Q22)

USB



WFC



	USB	WFC
Deposit Beta (4Q21-4Q22):	31%	19%
Cost of IB Deposits (4Q22):	1.2%	0.7%

WFC Has "Substantial Capacity" For Buybacks

"…**we anticipate we're going to begin buying [stock] back.** As we think about how much we have available in that capacity…**our CET1 went up to 10.6%.** Our **required minimum buffers are at 9.2%.** And we…said that we'll manage 100 basis points above the 9.2% plus or minus…**So we do have substantial capacity**"

- *WFC, 4Q22 Earnings Call*

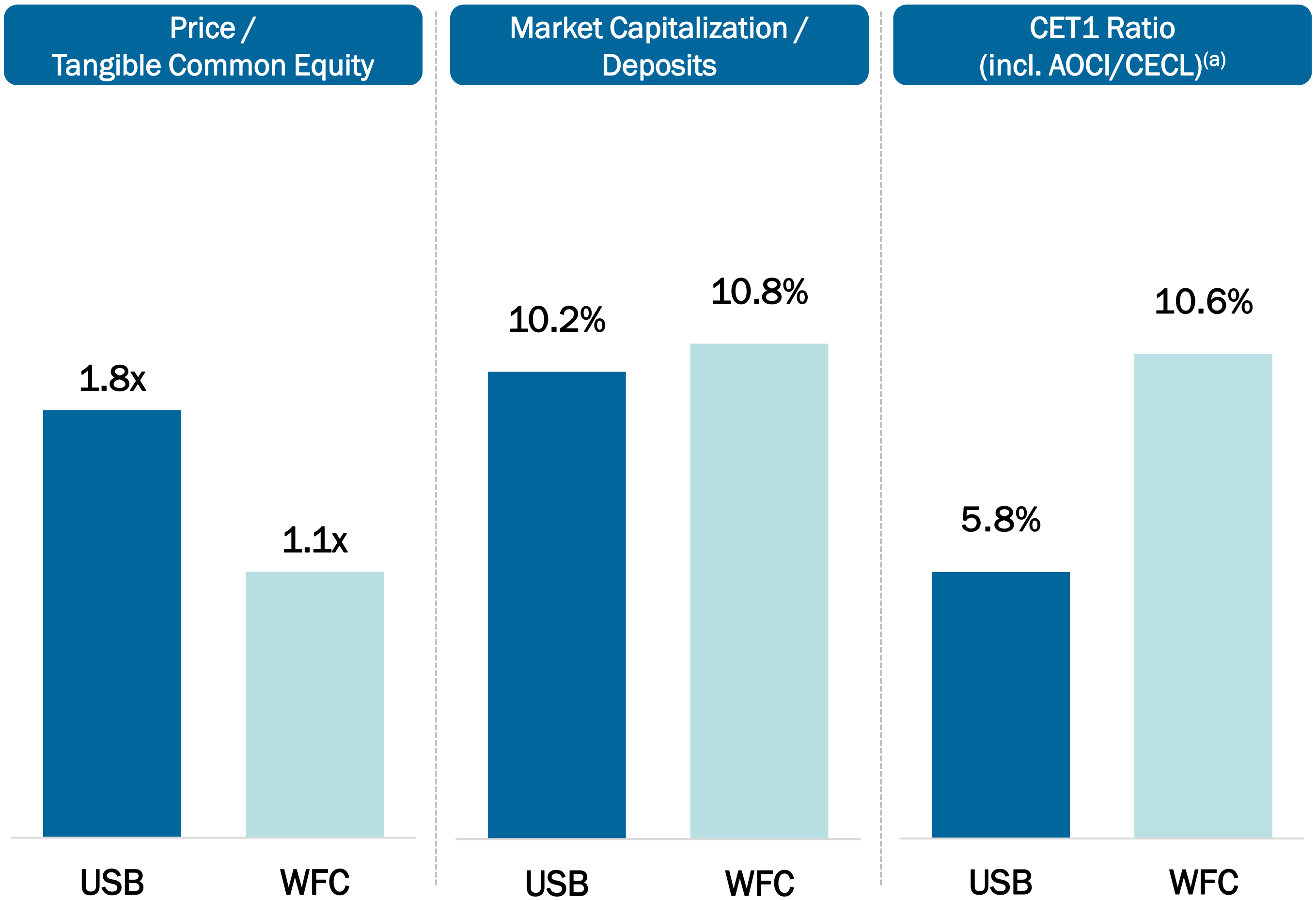
Source: S&P Capital IQ Pro as of 04/04/2023, Company filings.

(a) Problem Asset percentages defined as (1-4 family loans + MBS) / Tangible Assets. See more detail on page 18.

(b) See page 23 for more detail on calculations.

And So the Relative Valuation Makes No Sense

WFC trades at a large discount to USB on tangible common equity and at similar market capitalization / deposits ratio despite significantly higher levels of capital that allows it to repurchase stock while USB is sidelined or – worse – may be forced into a dividend cut and/or capital raise



Source: Company Filings, S&P Capital IQ Pro. Data as of 4/14/2023 market close.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1.

Why is the Market Valuing USB So Similarly to WFC?

We believe the market does not understand that USB will be front-and-center of a complete regulatory overhaul

1. At current levels, USB would need to raise a significant amount of capital and experience 20%+ dilution to reach their 9.0% target if AOCI was included in capital calculations[a] (see page 42)

2. Management appears to be purposely unclear that its stated 8.4% CET1 ratio is not the appropriate capital ratio to focus on given its soon-to-occur move to Category II, and seems to lead the public astray regarding the impact that AOCI inclusion will likely have on its future repurchase activity

USB walked back prior comments on share repurchases during latest earnings call:

"...we are starting...at a good spot, about 8.4% CET1. We expect that to accrete up to at or above 9% by the end of next year, and then continue to accrete in 2023 and continue to move up from that particular point. ***So one of the things we'll do is once we get to above 9%, we'll have to make an assessment as to all the different things that are happening out there from a regulatory perspective. I mean you have the regulators looking at Basel III and...having to think about Category II and those sorts of things."***

- *USB CEO,* 4Q22 Earnings Call, 1/25/23

When previously USB expected to begin share repurchases after reaching their 9.0% target:

"After the closing of the acquisition, we expect to operate at a CET1 capital ratio of approximately 8.5%. **We continue to expect that our share repurchase program will be deferred until our CET1 ratio reaches 9.0% following the pending deal close.**"

- USB CFO, 2Q22 Earnings Call, 7/15/22

3. Those in the public domain are not questioning USB's capital position; for example, Goldman Sachs models buybacks starting in 1Q24 and does not yet adjust USB's capital for AOCI in future periods

"**We expect USB to resume share repurchases from 1Q24**, which remains consistent with management commentary. We estimate a 4Q24E CET1 ratio of 9.2%."

- *Goldman Sachs, 2/26/23*

Once consensus analysts and rating agencies realize that USB's already-low capital levels are going lower while their capital requirements are going higher, while WFC has excess capital with which to buy back stock today, we believe that the stock will no longer trade at a premium price/TCE ratio to Wells WFC

Source: Company Filings, S&P Capital IQ Pro. Data as of 4/14/2023 market close.

(a) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Assumes 10% discount to stock price.

HOLDCO
ASSET MANAGEMENT

USB Remains Highly Rated by Credit Agencies Despite Low Capital Levels and a Likely Need to Raise Capital

The combination of potentially high levels of long-term debt combined with low levels of capital will likely spur agency reviews of USB's debt ratings, further pressuring the stock

- USB currently has an <u>A1 Baseline-Credit Assessment (BCA)</u> according to Moody's, <u>two notches better than the median A3 BCA for US Banks</u>
- Moody's justifies its credit rating based on USB's "resilience under [the Fed's] hypothetical stress test scenarios," and current reported capital levels, but apparently fails to realize:
  - The stress test does not test the impact of rising rates or proper CECL treatment
  - The Impact of AOCI on capital with Category II
  - Growth of assets due to the Union Bank acquisition
- <u>Timeline of Recent Events:</u>
  - **September 30, 2022:** Moody's published its latest credit opinion for USB with a "negative outlook" and assigned an issuer rating of A2 and a senior unsecured rating of A2
  - **March 10, 2023:** SIVB failed
  - **March 12, 2023:** SBNY failed
  - **March 13, 2023:** Moody's modified its outlook on the U.S. banking system to negative on "rapidly deteriorating operating environment"

Recent Commentary From Moody's and Regulators

"**Capitalization remains sound and resilient under stress**, but is a credit weakness"

"USB's baa1 Capital score reflects the combination of **its resilience under hypothetical stress scenarios, as shown in the moderate decline in its capital ratios under the Federal Reserve's stress test**, and also its lower operating level relative to most peers."

- *Moody's, 9/30/22*

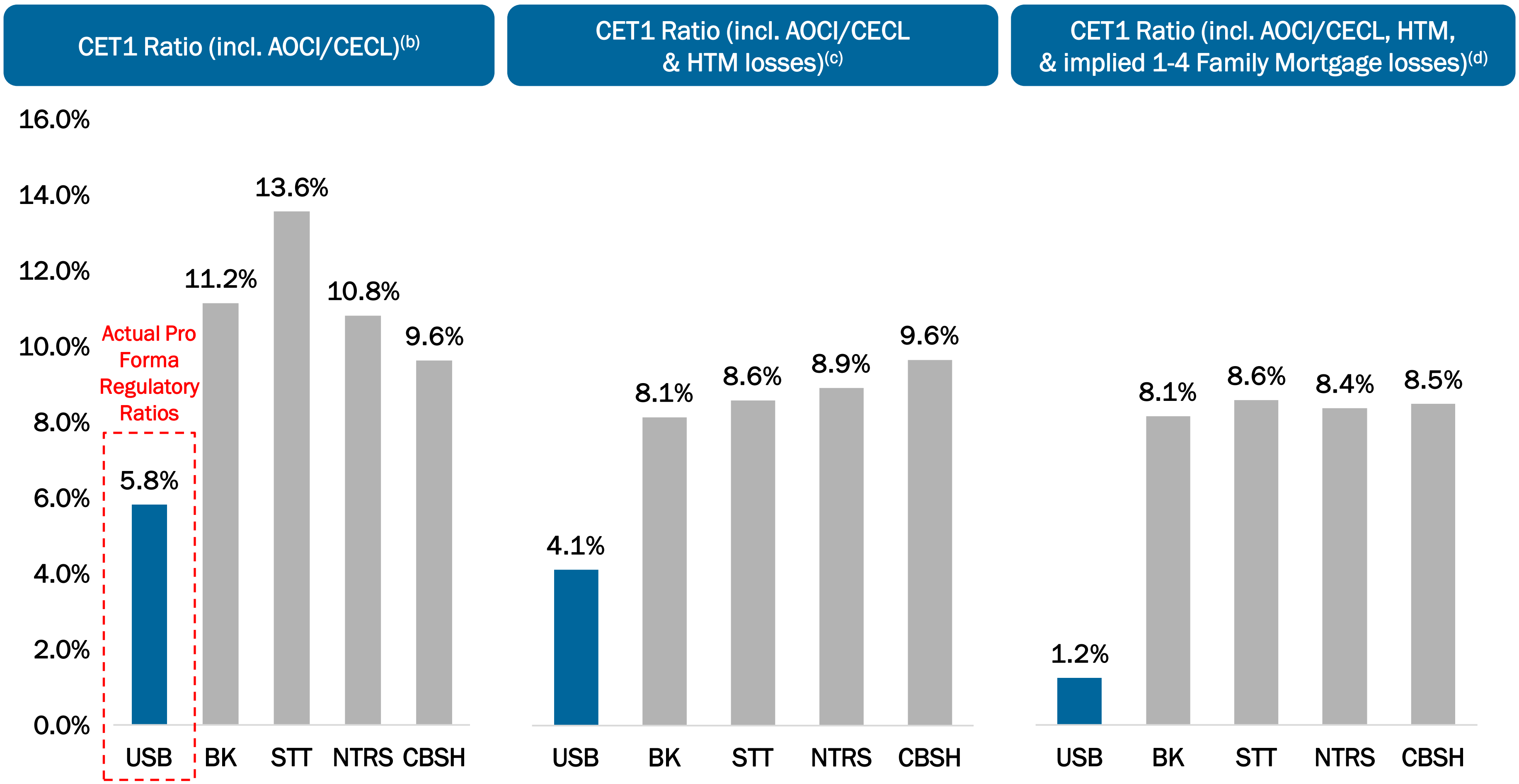
"**…we plan to propose a long-term debt requirement for large banks that are not G-SIBs**, so that they have a cushion of loss-absorbing resources to support their stabilization and allow for resolution in a manner that does not pose systemic risk.

- *Michael Barr, 3/28/23*

Source: Moody's, Barr Testimony.

Capital Levels of USB vs. Similarly Rated US Banks (A1 BCA)

USB's capital levels are substantially lower than all similarly rated banks[(a)] and even lower when accounting for fair value adjustments

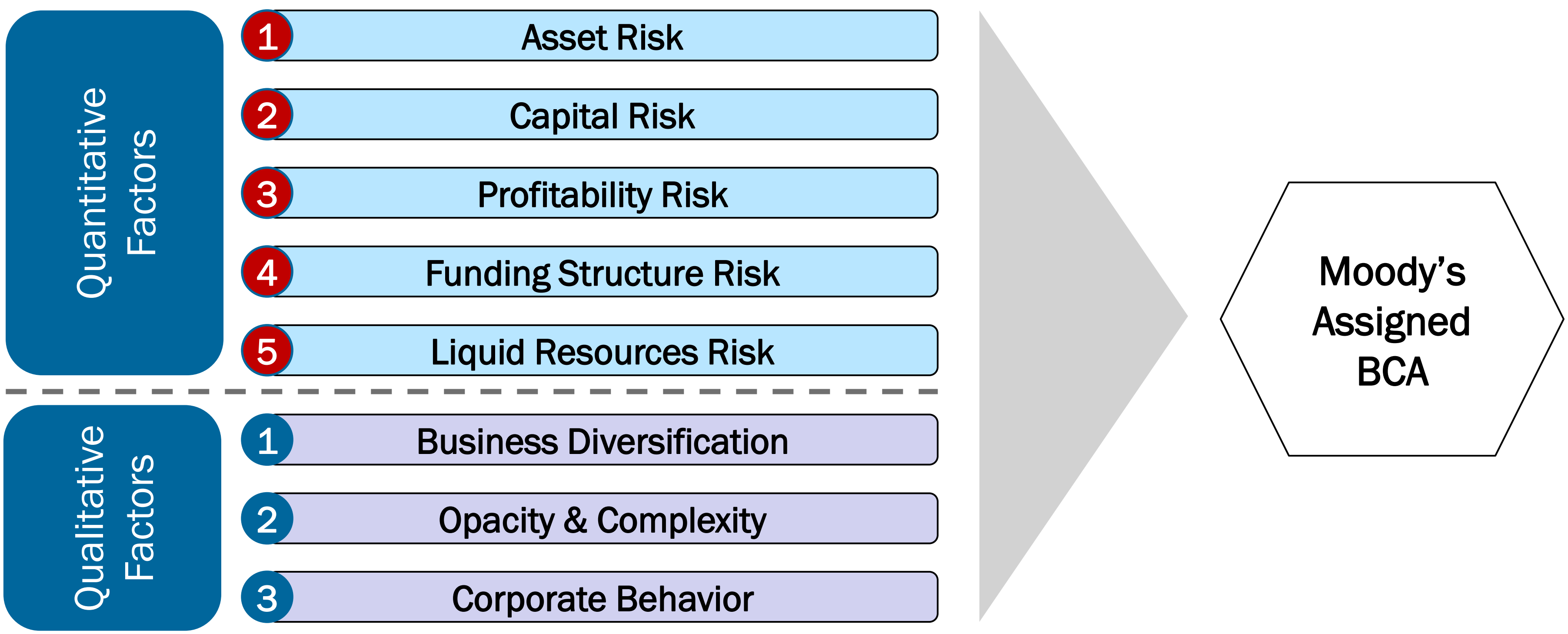


Source: *Company Filings, S&P Capital IQ Pro, Moody's.*
Note: Data as of December 31, 2022. Charts above represent regulatory and modified regulatory financials.
(a) Population includes all Moody's a1 BCA rated Banks.
(b) Calculated by HoldCo as AOCI losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable.
(c) Calculated by HoldCo as AOCI and HTM Fair Value losses realized within CET1; RWA unchanged. HTM Fair Value losses tax adjusted at 21%. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable.
(d) Calculated by HoldCo as AOCI, HTM Fair Value losses, & 1-4 Family Mortgage losses realized within CET1; RWA unchanged. Reflects full phase-in of CECL in CET1. CECL adjustment estimated as difference between Retained Earnings seen within Schedules HC-R and HC, or Schedules RC-R and RC if consolidated regulatory filings are unavailable. For banks that have not yet implemented CECL, no adjustment is being made. HTM Fair Value losses tax adjusted at 21%. 1-4 Family Mortgage losses calculated by HoldCo by first determining the mix of 1-4 Family Loans maturing in 5-15 years and >15 years ("maturity category"), which is implied based on the percentage mix of each maturity category disclosed in each bank's largest bank subsidiary Call Report. Then, HoldCo estimates the loss discount on each maturity category based on a present value calculation assuming the following: all loans are fixed rate, monthly cash flows, 4.9% for the annual discount rate (which represents the average spread over the last 10 years between the "Freddie Mac US Mortgage Market Survey 30 Year Homeowner Commitment National" and the 30 Year Treasury Yield, plus the current 30-Year Treasury Yield as of 4/6/22), cash flows based on the 2022 Yield on 1-4 Family Loans for each bank as calculated by S&P from regulatory filings (interest income on 1-4 family loans / avg. loans secured by 1-4 family loans), and an assumed duration of either 10 years when calculating the loss discount for the 5-15 maturity category or 20 years for the >15 years maturity category. Each loss discount is then applied to the percent mix of each maturity category to calculate the total losses for each maturity category. These losses are then tax-adjusted by 21% and reduced from CET1. No losses are assumed for 1-4 Family Mortgages that mature in < 5 years. These calculations result in the following estimated fair value loss on total 1-4 Family Loans for the banks above: USB 11%, BK 0%, STT 0%, NTRS 7%, and CBSH 8%.

Application of Moody's Analysis to USB

- Moody's considers five quantitative measures against a qualitative overlay in determining its "Assigned BCA" which is then subjectively notched to derive an "Adjusted BCA" which then flows into the determination of the Counterparty Risk Rating, Deposit Rating, Senior unsecured holding company debt rating, etc,
- HoldCo believes that all of them are likely to be revised lower (and in some cases significantly lower) in a post-SIVB world and through the lens of Moody's newly "negative outlook" towards banks; in the next two pages we briefly discuss two such measures which we believe appear particularly likely to change significantly in the future

Moody's Rating Methodology



Source: Moody's: "Banks Methodology", 7/9/21.

HOLDCO ASSET MANAGEMENT

2 Capital Risk

We believe it likely that this measure will suffer substantial degradation

- In its September 2022 Credit Opinion, Moody's assigns an "initial score" to this metric of baa3 and then applies a 2-notch downgrade to arrive at an "assigned score" of baa1
  - In arriving at this baa3 initial score, Moody's is calculating a 9.2% ratio for the referenced quantitative measure, which is defined below[a]
  - **What has become clear to HoldCo (after our initial confusion) is that even though the ratio as described in Moody's own July 2021 Banks Methodology (shown below) describes no add-back of AOCI[b], Moody's appears to apply such add-back in its calculation of banks' ratios**
- HoldCo does not believe it appropriate to add back AOCI and when we apply such calculation (without adding back AOCI) which is shown below, we determine an initial score of caa1 for USB
  - A 2-notch downgrade (consistent with Moody's analysis) arrives at an assigned Capital Risk Score of caa3[c]

Capital Risk Overview

Category	Weight	Primary Metric	4Q22	Initial Score	Notching	HoldCo's Score	Moody's Score (9/22)
Solvency	25.0%	TCE / RWA	5.3%	caa1	-2	caa3	baa1

HoldCo includes AOCI losses in its 4Q22 calculation

TCE / RWA Calculation[a][b]

$$\frac{\text{Tangible Common Equity} - \text{DTAs} + \min(\text{DTAs}, 11.1\% * (\text{TCE} - \text{DTAs}))}{\text{Total RWAs}}$$

USB is "Very Weak" in arguably the most important metric

"In our back-testing study…the **TCE/RWAs measure was the most predictive indicator of failure** among a number of other measures…"

- Moody's[a], 7/09/21

Source: Moody's, S&P Capital IQ Pro as of 4/6/22.

(a) Moody's: "Banks Methodology", 7/9/21. For the avoidance of doubt, Moody's states: "For clarity, Tangible Common Equity excludes deferred tax assets, and Tangible Assets excludes goodwill and other intangibles."

(b) HoldCo is not aware of any understanding of the term "Tangible Common Equity" that adds back AOCI (unless such add-back is made explicit in the term itself).

(c) Although HoldCo notches down by 2, the lowest possible score is caa3, which is only 1 notch lower than caa1; therefore, HoldCo's score is a caa3.

HOLDCO ASSET MANAGEMENT

5 Liquid Resources Risk

In light of SIVB's liquidity-driven failure, we believe that Moody's conception of liquidity risk needs refining

- In its September 2022 Credit Opinion, Moody's assigns an "initial score" to this metric of aa3 and then applies a 1-notch downgrade to arrive at an "assigned score" of a1
  - In arriving at this aa3 initial score, Moody's is calculating a 36.7% ratio for the referenced quantitative measure, which is defined below[(a)(b)(c)]
  - **What has become clear to HoldCo (after our initial confusion) is that even though the ratio as described in Moody's own July 2021 Banks Methodology (shown below) suggests to us only inclusion of Treasury securities within the held-to-maturity basket[(a)], Moody's appears to include mortgage-backed securities in its calculation of banks' ratios**
- HoldCo does not believe it appropriate to include the held-to-maturity basket within the calculation of a liquidity-driven ratio (and certainly not long-dated mortgage-backed securities within this basket), and when we apply such calculation (without including HTM securities) which is shown below, we determine an initial score of baa2 for USB
- A 1-notch downgrade (consistent with Moody's) arrives at an assigned Liquid Resources Risk Score of baa3

Liquid Resources Risk Overview

Category	Weight	Primary Metric	4Q22	Initial Score	Notching	HoldCo's Score	Moody's Score (9/22)
Liquidity	15%	Liq. Banking Assets / Tangible Bank Assets	19.5%	baa2	-1	baa3	a1

Liquid Banking Assets / Tangible Bank Assets

Cash with Central Bank + Due from Financial Institutions + Trading Securities + AFS Securities + Other Securities + HTM Government Securities – Unearned Income – Derivative Assets

Total Assets – Goodwill and Other Intangibles – Insurance Assets

HoldCo excludes HTM securities from this calculation

Moody's Makes Qualitative Judgments on This Ratio

"We **may adjust the Liquid Resources sub-factor score downward**, usually by up to three notches, **where we believe that the liquid asset ratio overstates liquidity because** it includes: (1) substantial encumbered assets; (2) assets held for market-making purposes; **(3) assets that are not readily marketable**, or of weak credit quality; or (4) assets not eligible at central banks. Level 3 assets (those with the least observable pricing data, which may be fair-valued on a mark-to-model basis) may provide an indication of less liquid assets."

- Moody's[(c)], 7/09/21

Source: Moody's, Company filings.

(a) Moody's: "Banks Methodology", 7/9/21. "The numerator, liquid banking assets, is calculated or estimated as: Cash with Central Bank + Due from Financial Institutions + Trading Securities + AFS Securities + Other Securities + HTM Government Securities – Unearned Income – Derivative Assets. The denominator, tangible banking assets, is calculated or estimated as: Total Assets – Goodwill and Other Intangibles – Insurance Assets."

(b) Moody's states in their "Banks Methodology" report that "For the funding structure and liquid asset ratios, we use the latest fiscal year-end figures."

(c) Ratio as of 12/31/2022.

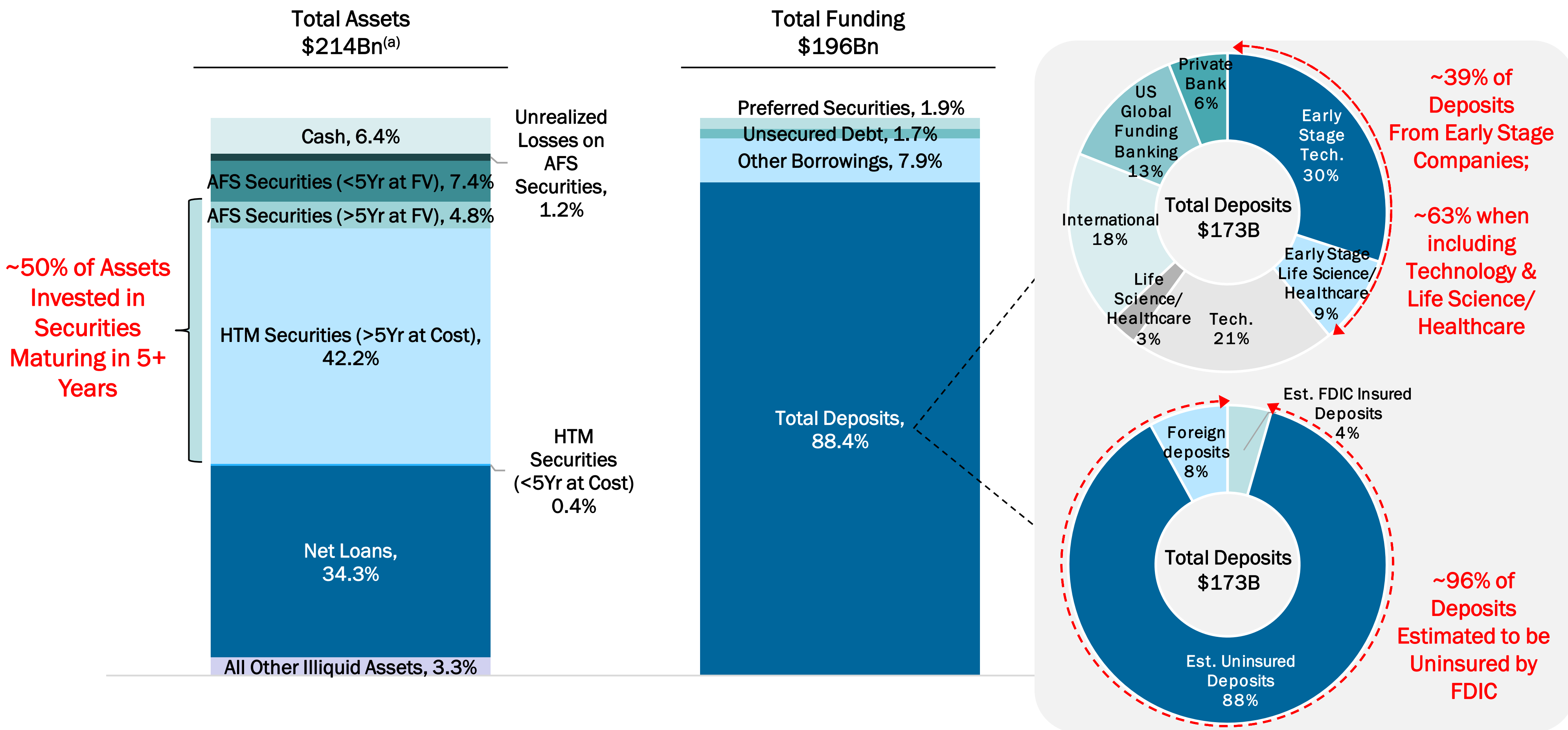
HOLDCO
ASSET MANAGEMENT

Appendix – Background on What Happened With SVB Financial

What Happened with SVB Financial Group (SIVB)

Throughout 2021, large deposit inflows from early-stage / VC-backed companies were primarily invested into long-dated, fixed-rate Agency MBS securities yielding less than 2%

SIVB Balance Sheet Breakdown (4Q 2022)



Source: S&P Capital IQ Pro as of 4Q 2022.

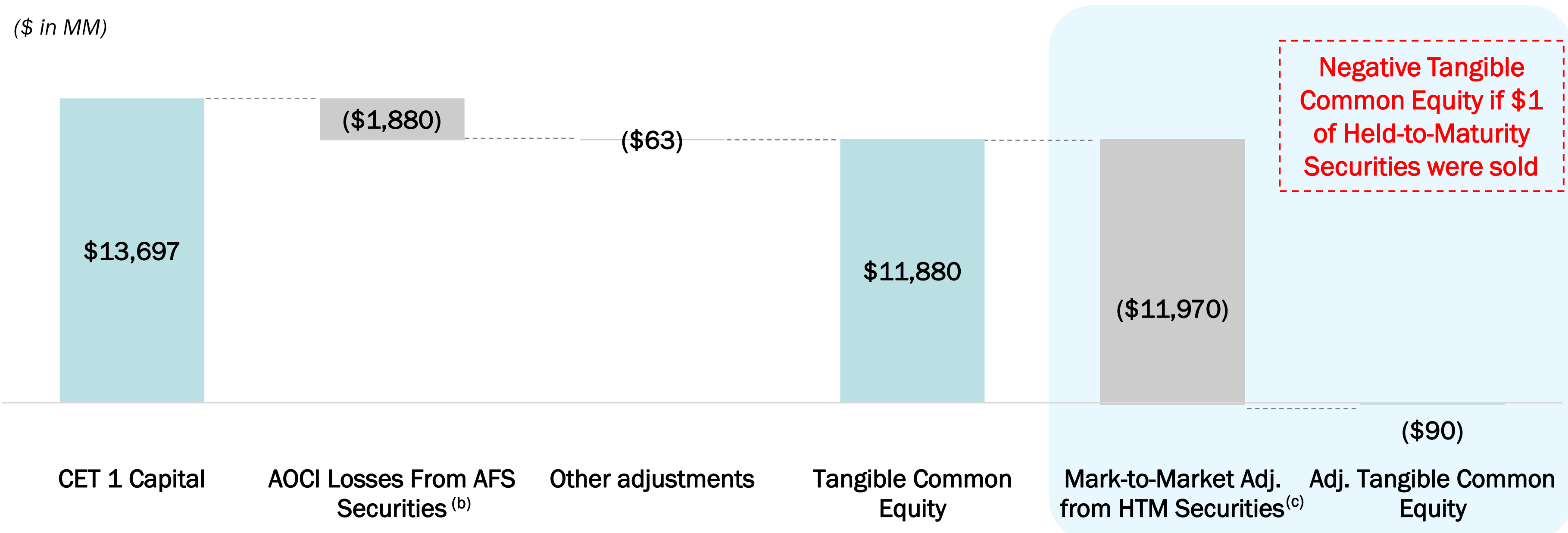
(a) AFS means Available-for-Sale. HTM means Held-to-Maturity. Total Assets includes $2.5Bn of unrealized losses on AFS securities.

What Happened with SVB Financial Group (SIVB) (cont'd)

As the Federal Reserve raised rates throughout 2022, SIVB's capital position became severely impacted as large unrealized losses materialized in its investment portfolio

- A sale of just $1 of the held-to-maturity investments would result in a complete mark-to-market adjustment of the entire portfolio, impacting tangible common equity by ~$12 billion[a]
- Since SIVB could not touch its held-to-maturity portfolio (as tangible common equity would then be negative), available liquidity (Cash + AFS Securities) only accounted for ~24% of its uninsured deposits
- SIVB had access to other funding sources including Repo, FHLB, Fed Funds lines, etc., which are costly and often require additional support from securities/loans

SIVB Common Equity Tier 1 Capital & Tangible Common Equity (4Q 2022)

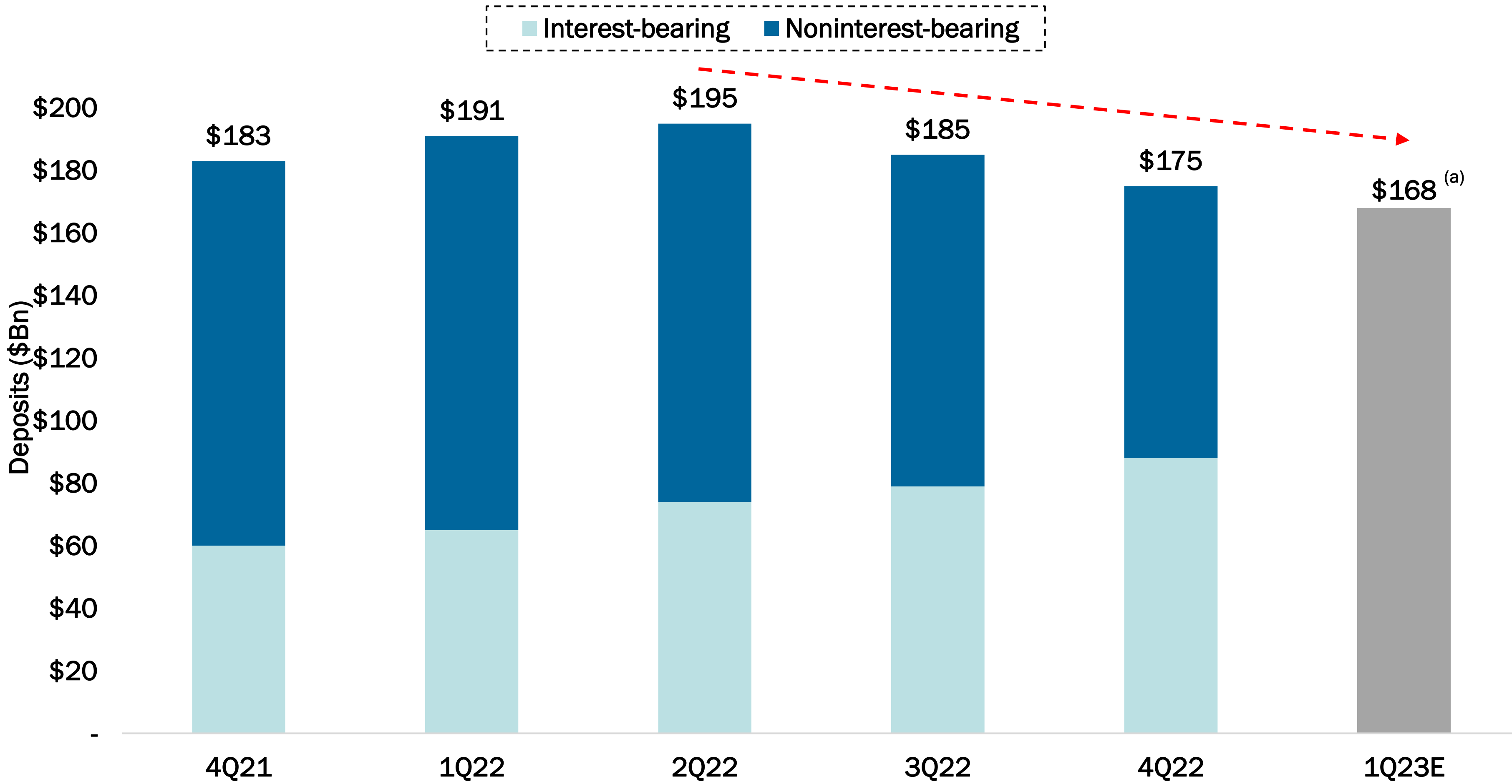


Source: S&P Capital IQ Pro as of 4Q 2022.
(a) Based on HoldCo's subjective interpretation of accounting rules outlined in 2022 PWC's Loans and Investments Guide and Bank Accounting Advisory Series 2022.
(b) AOCI means Accumulated Other Comprehensive Income.
(c) Net of tax (assumed 21% tax rate).

What Happened with SVB Financial Group (SIVB) (cont'd)

SIVB's problems intensified as deposit concentrations in cash burning early-stage/technology companies led to $27 billion of deposit outflows from 2Q22 to 1Q23E, a 14% decline

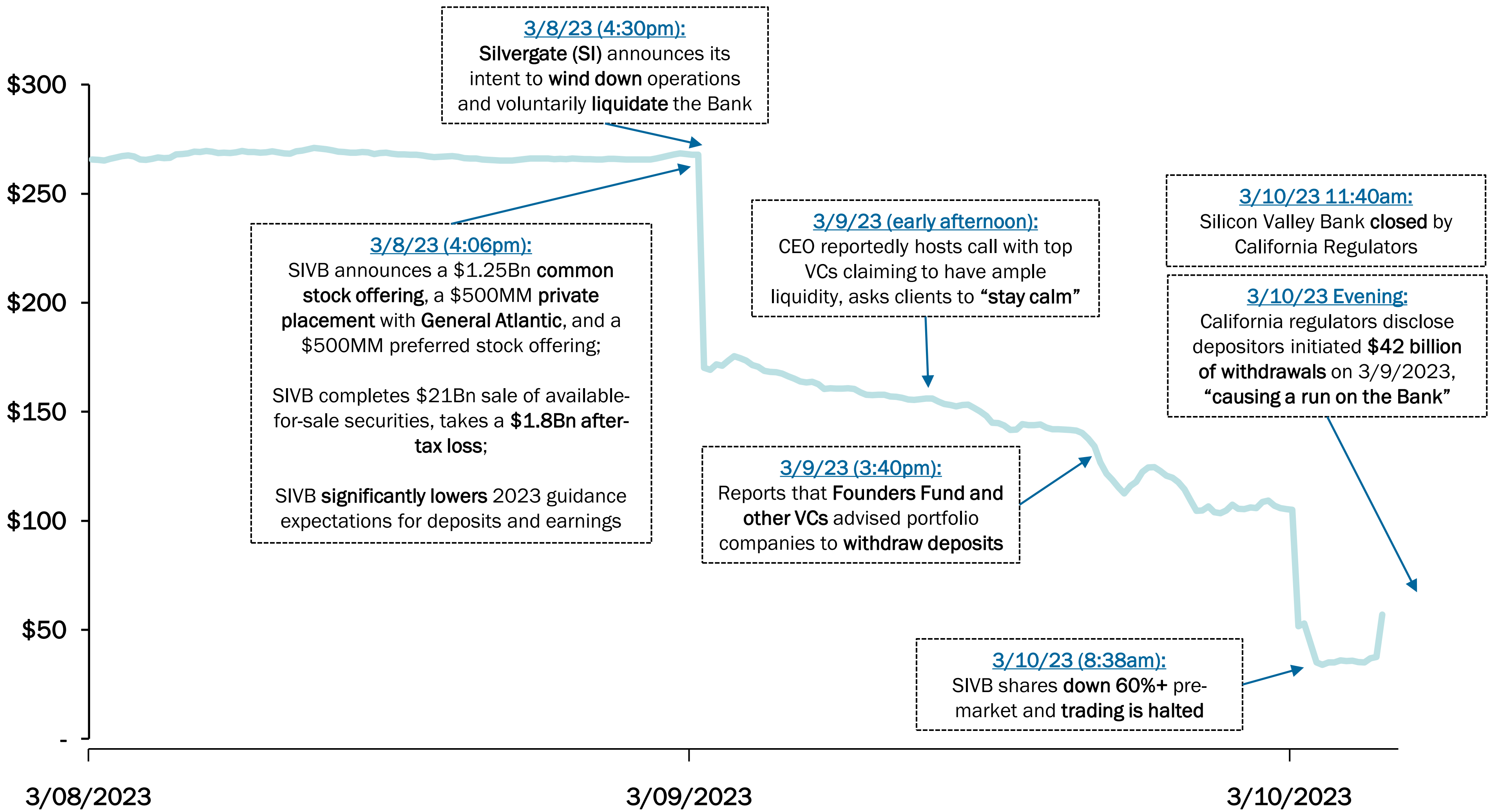
Average Deposit Balances Since 4Q 2021



Source: Company filings.
(a) Estimate per March 8, 2023 SIVB Investor Presentation.

What Happened with SVB Financial Group (SIVB) (cont'd)

SIVB Stock Price – Timeline Of Events Since Wednesday March 8, 2023



Source: Company Filings, Bloomberg, CNBC, FDIC, Department of Financial Protection and Innovation of the State of California.

What Happened with SVB Financial Group (SIVB) (cont'd)

FDIC Press Release Regarding Silicon Valley Bank (3/10/2023)

For Immediate Release

WASHINGTON – Silicon Valley Bank, Santa Clara, California, was closed today by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. To protect insured depositors, the FDIC created the Deposit Insurance National Bank of Santa Clara (DINB). At the time of closing, the FDIC as receiver immediately transferred to the DINB all insured deposits of Silicon Valley Bank.

All insured depositors will have full access to their insured deposits no later than Monday morning, March 13, 2023. The FDIC will pay uninsured depositors an advance dividend within the next week. Uninsured depositors will receive a receivership certificate for the remaining amount of their uninsured funds. As the FDIC sells the assets of Silicon Valley Bank, future dividend payments may be made to uninsured depositors.

Silicon Valley Bank had 17 branches in California and Massachusetts. The main office and all branches of Silicon Valley Bank will reopen on Monday, March 13, 2023. The DINB will maintain Silicon Valley Bank's normal business hours. Banking activities will resume no later than Monday, March 13, including on-line banking and other services. Silicon Valley Bank's official checks will continue to clear. Under the Federal Deposit Insurance Act, the FDIC may create a DINB to ensure that customers have continued access to their insured funds.

As of December 31, 2022, Silicon Valley Bank had approximately $209.0 billion in total assets and about $175.4 billion in total deposits. At the time of closing, the amount of deposits in excess of the insurance limits was undetermined. The amount of uninsured deposits will be determined once the FDIC obtains additional information from the bank and customers.

Customers with accounts in excess of $250,000 should contact the FDIC toll-free at 1-866-799-0959.

The FDIC as receiver will retain all the assets from Silicon Valley Bank for later disposition. Loan customers should continue to make their payments as usual.

Silicon Valley Bank is the first FDIC-insured institution to fail this year. The last FDIC-insured institution to close was Almena State Bank, Almena, Kansas, on October 23, 2020.

FDIC: PR-16-2023

The FDIC estimates the cost of the failure of Silicon Valley Bank to its Deposit Insurance Fund (DIF) to be approximately $20 billion.
- FDIC, 3/26/23

Uninsured Depositors Truly At Risk

Source: FDIC.

Signature Bank's (SBNY) Failure Expected to Result in ~$2.5 Billion of Losses

FDIC Press Release Regarding Signature Bank (3/12/2023)

Washington, DC -- The following statement was released by Secretary of the Treasury Janet L. Yellen, Federal Reserve Board Chair Jerome H. Powell, and FDIC Chairman Martin J. Gruenberg:

Today we are taking decisive actions to protect the U.S. economy by strengthening public confidence in our banking system. This step will ensure that the U.S. banking system continues to perform its vital roles of protecting deposits and providing access to credit to households and businesses in a manner that promotes strong and sustainable economic growth.

After receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13. No losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer.

We are also announcing a similar systemic risk exception for Signature Bank, New York, New York, which was closed today by its state chartering authority. All depositors of this institution will be made whole. As with the resolution of Silicon Valley Bank, no losses will be borne by the taxpayer.

Shareholders and certain unsecured debtholders will not be protected. Senior management has also been removed. Any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law.

Finally, the Federal Reserve Board on Sunday announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.

The U.S. banking system remains resilient and on a solid foundation, in large part due to reforms that were made after the financial crisis that ensured better safeguards for the banking industry. Those reforms combined with today's actions demonstrate our commitment to take the necessary steps to ensure that depositors' savings remain safe.

"The FDIC estimates the cost of the failure of Signature Bank to its Deposit Insurance Fund to be approximately $2.5 billion. The exact cost will be determined when the FDIC terminates the receivership."

- Federal Reserve, 3/19/23

Source: FDIC and Federal Reserve.

How the FDIC Invoked the Systemic Risk Exception ("SRE") Following the Failures of SVB Financial and Signature Bank

Following the failures of SIVB and SBNY, the FDIC invoked the SRE, which allowed the FDIC to make all depositors in those institutions whole, even those exceeding the $250K threshold

Joint Statement by Treasury, Federal Reserve and FDIC (3/12/2023)

Washington, DC -- The following statement was released by Secretary of the Treasury Janet L. Yellen, Federal Reserve Board Chair Jerome H. Powell, and FDIC Chairman Martin J. Gruenberg:

Today we are taking decisive actions to protect the U.S. economy by strengthening public confidence in our banking system. This step will ensure that the U.S. banking system continues to perform its vital roles of protecting deposits and providing access to credit to households and businesses in a manner that promotes strong and sustainable economic growth.

After receiving a recommendation from the boards of the FDIC and the Federal Reserve, and consulting with the President, Secretary Yellen approved actions enabling the FDIC to complete its resolution of Silicon Valley Bank, Santa Clara, California, in a manner that fully protects all depositors. Depositors will have access to all of their money starting Monday, March 13. No losses associated with the resolution of Silicon Valley Bank will be borne by the taxpayer.

We are also announcing a similar systemic risk exception for Signature Bank, New York, New York, which was closed today by its state chartering authority. All depositors of this institution will be made whole. As with the resolution of Silicon Valley Bank, no losses will be borne by the taxpayer.

Shareholders and certain unsecured debtholders will not be protected. Senior management has also been removed. Any losses to the Deposit Insurance Fund to support uninsured depositors will be recovered by a special assessment on banks, as required by law.

Finally, the Federal Reserve Board on Sunday announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors.

The U.S. banking system remains resilient and on a solid foundation, in large part due to reforms that were made after the financial crisis that ensured better safeguards for the banking industry. Those reforms combined with today's actions demonstrate our commitment to take the necessary steps to ensure that depositors' savings remain safe.

Background of the SRE

- Federal law requires the FDIC to resolve failed banks by using the "lease costly" method to the insurance fund
  - An exception (the SRE) could be used if it was deemed that a failed bank would have serious adverse effects on economic conditions or financial stability
- To invoke the SRE, a written recommendation of two-thirds majority is needed from both the FDIC Board of Directors and Federal Reserve Board, along with approval by the Treasury Secretary in consultation with the President
- The SRE was first used in 2008 after Lehman Brothers filed for bankruptcy protection, to allow the sale of Wachovia Corp. and then used two weeks later to allow the FDIC to provide unlimited coverage for certain non-interest-bearing accounts under the Temporary Liquidity Guarantee Program

Source: FDIC and Federal Reserve.

Growth in Deposits in the System – Pre-Covid vs. Post-Covid

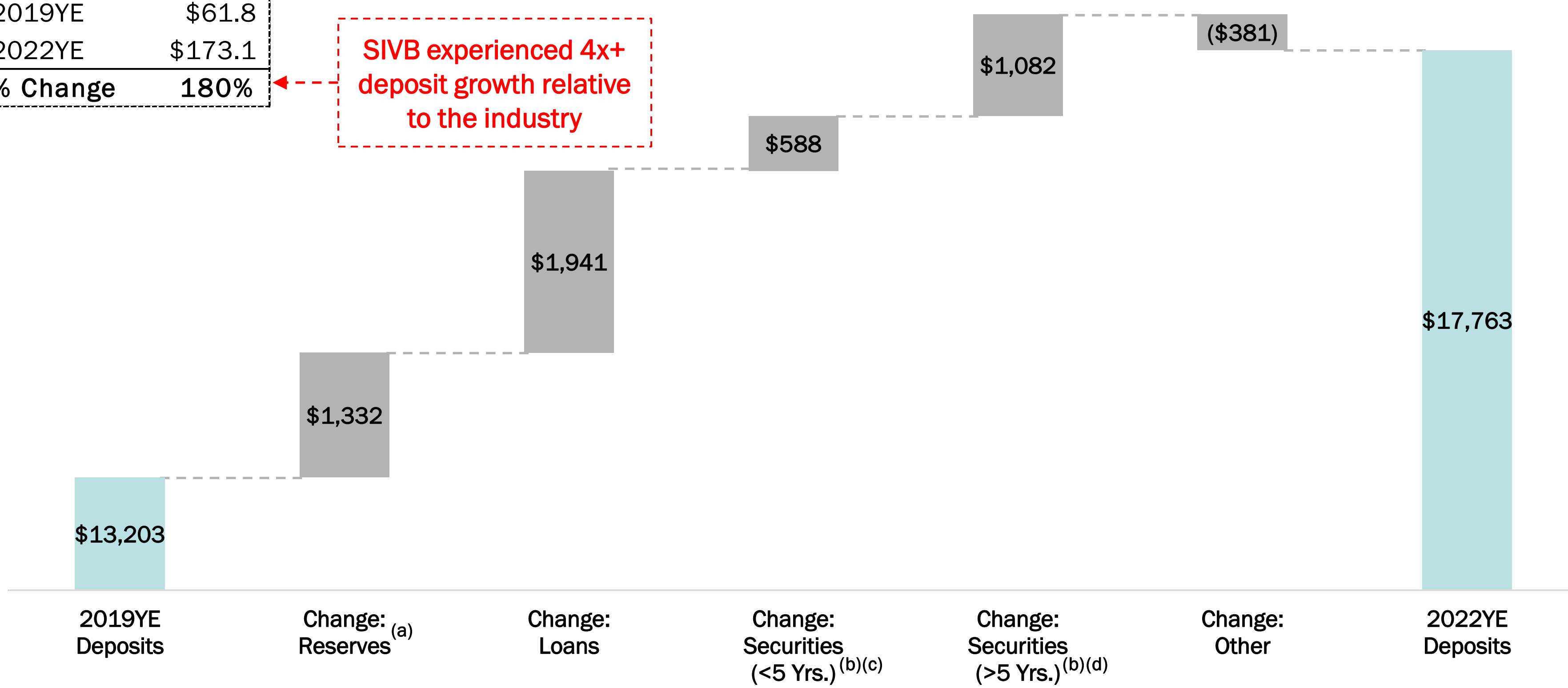
Although deposits system-wide grew by >30% over the last 3 years, SIVB's deposits grew by 180%; Classic example of "More money, more problems"

Change in Commercial Bank Deposits (2019 to 2022)

($ in Bn)

SIVB Deposits	
2019YE	$61.8
2022YE	$173.1
% Change	180%

SIVB experienced 4x+ deposit growth relative to the industry



Source: Federal Reserve, S&P Capital IQ Pro.

Note: Data shown based on Federal Reserve balance sheet and Federal Reserve aggregate commercial bank data.

(a) Reserve balances taken from Federal Reserve balance sheet line item "Other deposits held by depository institutions," referred to as "reserves."

(b) Federal Reserve aggregate commercial bank security balances by maturity estimated based on Y-9C and Call Report maturity data via S&P Capital IQ Pro.

(c) Includes Call Report item "Other mortgage-backed securities" having maturities less than 3 years in additional to all other less than 5-year maturity securities.

(d) Includes Call Report item "Other mortgage-backed securities" having maturities greater than 3 years in additional to all other greater than 5-year maturity securities.