Board of Governors of the Federal Reserve System

Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company—FR Y-3

U.S. Bancorp
Corporate Title of Applicant

800 Nicollet Mall
Street Address

Minneapolis	MN	55402
City	State	Zip Code

Corporation
(Type of organization, such as corporation, partnership, business trust, association, or trust)

Hereby applies to the Board pursuant to:

☐ (1) Section 3(a)(1) of the Bank Holding Company Act of 1956, as amended, ("BHC Act"—12 U.S.C. §1842), under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y;

☒ (2) Section 3(a)(3) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y; or

☐ (3) Section 3(a)(5) of the BHC Act, under "Procedures for other bank acquisition proposals" as described in section 225.15 of Regulation Y.

for prior approval of the acquisition of direct or indirect ownership, control, or power to vote at least 40,305,115 (Number) (100 %) (Percent) of a class of voting shares or otherwise to control:

MUFG Union Bank, National Association
Corporate Title of Bank or Bank Holding Company

350 California Street
Street Address

San Francisco	CA	94104
City	State	Zip Code

Does applicant request confidential treatment for any portion of this submission?

☒ Yes

☒ As required by the General Instructions, a letter justifying the request for confidential treatment is included.

☒ The information for which confidential treatment is being sought is separately bound and labeled "Confidential."

☐ No

Public reporting burden for this collection of information for applications filed pursuant to section 3(a)(1) of the BHC Act are estimated to average 53 hours per response while applications filed pursuant to section 3(a)(3) or section 3(a)(5) of the BHC Act are estimated to average 63.5 hours per response, including the time to gather and maintain data in the required form, to review instructions and to complete the information collection. The Federal Reserve may not conduct or sponsor, and an organization is not required to respond to, a collection of information unless it displays a currently valid OMB control number. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; and to the Office of Management and Budget, Paperwork Reduction Project (7100-0121), Washington, DC 20503.

Name, title, address, telephone number, and facsimile number of person(s) to whom inquiries concerning this application may be directed:

Name: James L. Chosy	Name: Lee Meyerson, Esq.
Title: Senior Executive Vice President and General Counsel	Title: Simpson Thacher & Bartlett LLP
Street Address: 800 Nicollet Mall	Street Address: 425 Lexington Avenue
City: Minneapolis; State: MN; Zip Code: 55402	City: New York; State: NY; Zip Code: 10017
Area Code / Phone Number: 612-303-7991	Area Code / Phone Number: 212-455-2000
Area Code / FAX Number:	Area Code / FAX Number: 212-455-2502

Certification

I certify that the information contained in this application has been examined carefully by me and is true, correct, and complete, and is current as of the date of this submission to the best of my knowledge and belief. I acknowledge that any misrepresentation or omission of a material fact constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §1001 and §1007.

I also certify, with respect to any information pertaining to an individual and submitted to the Board in (or in connection with) this application, that the applicant has the authority, on behalf of the individual, to provide such information to the Board and to consent or to object to public release of such information. I certify that the applicant and the involved individual consent to public release of any such information, except to the extent set forth in a written request by the applicant or the individual, submitted in accordance with the Instructions to this form and the Board's Rules Regarding Availability of Information (12 C.F.R. Part 261), requesting confidential treatment for the information.

I acknowledge that approval of this application is in the discretion of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Actions or communications, whether oral, written, or electronic, by the Federal Reserve or its employees in connection with this filing, including approval if granted, do not constitute a contract, either express or implied, or any other obligation binding upon the agency, the United States or any other entity of the United States, or any officer or employee of the United States. Such actions or communications will not affect the ability of the Federal Reserve to exercise its supervisory, regulatory, or examination powers under applicable laws and regulations. I further acknowledge that the foregoing may not be waived or modified by any employee or agency of the Federal Reserve or of the United States.

Signed this 6th (Day) day of October (Month), 2021 (Year).

Signature of Chief Executive Officer or Designee

Print or Type Name: James L. Chosy   Title: SEVP and General Counsel

APPLICATION

to the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

by

U.S. BANCORP

for prior approval to acquire

MUFG UNION BANK, NATIONAL ASSOCIATION

Pursuant to Section 3(a)(3)
of the Bank Holding Company Act of 1956, as amended,
and Regulation Y promulgated thereunder

October 6, 2021

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(CONTAINED IN A SEPARATELY BOUND CONFIDENTIAL VOLUME)

PRELIMINARY STATEMENT

I. INTRODUCTION

A. Transaction Overview

This application (together with accompanying information on Form FR Y-3, the "Application") is respectfully submitted by U.S. Bancorp ("U.S. Bancorp" or the "Applicant") to the Board of Governors of the Federal Reserve System ("Board") and the Federal Reserve Bank of Minneapolis ("Reserve Bank"), pursuant to Section 3(a)(3) of the Bank Holding Company Act of 1956, as amended (the "BHC Act"), and Sections 225.11 and 225.15 of Regulation Y thereunder, for the Board's approval of the Applicant's proposed acquisition (the "Acquisition") of all of the issued and outstanding shares of common stock of MUFG Union Bank, National Association ("Union Bank"), a wholly-owned national bank subsidiary of MUFG Americas Holdings Corporation ("MUFG Americas") and an indirect, wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. ("MUFG").

Prior to the Acquisition, MUFG intends to effect a reorganization pursuant to which certain subsidiaries of MUFG will purchase from Union Bank and its subsidiaries, and retain, the assets, deposits, personnel and equity interests relating to Union Bank's Global Corporate and Investment Bank business line, certain middle and back office functions, and certain additional assets and liabilities, as described below in this Application. In addition, Union Bank will seek regulatory approval to distribute its excess capital above $6.25 billion (representing an estimated 10% common equity tier 1 capital ratio at the closing of the Acquisition) to MUFG Americas prior to the Acquisition. **All information in this Application regarding Union Bank has been adjusted to reflect this reorganization and capital distribution on a pro forma basis, except where indicated otherwise.**

The Acquisition will be effected pursuant to a Share Purchase Agreement, dated September 21, 2021, among U.S. Bancorp, MUFG and MUFG Americas (the "Purchase Agreement"), a copy of which is provided as Public Exhibit 1. Following the Acquisition, U.S. Bancorp intends to merge Union Bank with and into U.S. Bank National Association ("U.S. Bank"), a wholly-owned national bank subsidiary of U.S. Bancorp, with U.S. Bank as the surviving entity (the "Bank Merger" and, together with the Acquisition, the "Proposed Transaction"), subject to the approval of the Bank Merger by the Office of the Comptroller of the Currency (the "OCC") under the Bank Merger Act. The Bank Merger is expected to be consummated at the same time as the systems conversion of Union Bank onto the U.S. Bank platform (which is expected to occur approximately four to six months after the completion of the Acquisition) and, until such time, U.S. Bancorp will operate Union Bank as a separate subsidiary.

B. Key Public Benefits

The Applicant believes that the Acquisition will create a unique opportunity to provide enhanced services to the customers and communities of both banks through a deepened and expanded footprint in California, Washington and Oregon, and access to industry-leading technology, products and customer service. The combined organization will be positioned to significantly increase competition in the West Coast markets and provide customers with expanded banking choices and alternatives, as well as provide other public benefits, including those summarized below.

- *Increased Competition Providing Greater Customer Choice*: The greater scale and market coverage resulting from the Acquisition will increase competition in the West Coast markets and help meet the evolving needs of customers, including through the Applicant's industry-leading digital tools which offer superior functionality and breadth of service. In California, for example, the three largest in-state competitors are global systemically important banks ("GSIBs") that together hold approximately 50% of insured deposits in California through nearly 2,700 branches. Moreover, in nearly every California Federal Reserve banking market where the Applicant and Union Bank have overlapping branch bank operations, multiple GSIBs hold leading market positions (among the top five largest in-market competitors by deposits). The Proposed Transaction will provide the combined organization with enhanced scale, resources and branch footprint to compete effectively in California with the GSIB and other market leaders.

- *Strong Community Partner*: The Acquisition will also provide greater opportunities for the combined organization to invest in the growth of the communities it serves, which has long been the highest priority for U.S. Bank and Union Bank as reflected in the "Outstanding" overall CRA ratings received by both institutions in their most recent CRA performance evaluation (as well as in at least two of their last three CRA performance evaluations). The Applicant and Union Bank are both strong corporate citizens, with well-established reputations for serving all segments of their communities, including by prioritizing affordable and inclusive financial access, promoting diversity and inclusion, addressing systemic racism and fostering the economic empowerment of disadvantaged communities, and supporting sustainable practices and environmental stewardship. In particular, U.S. Bank and Union Bank are committed to maintaining their excellent record of serving low-income communities and supporting minority-led institutions. U.S. Bank proudly invests in its communities, and recently launched the U.S. Bank Access Commitment, a long-term approach led by the bank's diversity, equity and inclusion team, bringing together the strengths of the U.S. Bancorp Community Development Corporation, corporate social responsibility and business areas to help build wealth while redefining how it serves diverse communities and to provide more opportunities for diverse employees.

- *Commitment to Local Communities*: The Applicant is committed to staying in every market that Union Bank currently serves in California, Washington and Oregon. The Applicant believes that although banking is increasingly being done online, the future of banking includes a combination of the digital and physical world, and the Applicant plans to retain a deep branch network to complement its robust digital product offerings. U.S. Bancorp also announced in connection with the Proposed Transaction that it is committed to retaining all of Union Bank's front-line branch employees, who are frequently the first people customers and prospective customers speak to and who have a demonstrated record of serving Union Bank's customers.

- *Robust Financial Strength Without Increasing Systemic Risk*: The Applicant's financial strength, business model, credit culture and focus on efficiency have enabled it to deliver solid financial performance even in challenging economic environments. The Proposed Transaction will result in a combined company with a strong and resilient capital base and liquidity position, with greater financial resources to invest in customer product enhancements and technology for client experience improvements as well as long-term investments in the communities and customers of both organizations. At the same time, the Proposed Transaction will not result in any significant increase in systemic risk to the U.S. financial system, since the combination of the Applicant's and Union Bank's conservative regional bank business models will not significantly change the Applicant's systemic risk profile.

- *Sophisticated Technology and Digital Banking Capabilities*: U.S. Bancorp understands that customer behavior has evolved greatly, as more customers are migrating quickly to on-line and digital-based products and services. To meet these evolving customer preferences, U.S. Bancorp has continued and accelerated the development of digital-based products and services. The Acquisition will help meet these evolving needs of customers of both Union Bank and U.S. Bank by providing greater access to U.S. Bancorp's existing and developing suite of digital banking tools. For example, U.S. Bancorp has adopted innovative ways for its customers to make payments or manage their accounts, such as through the use of voice-activated internet devices for convenient banking and account management capabilities, advanced biometric authentication for secure account access, and integration with popular digital wallets through the U.S. Bank mobile app for convenient and secure mobile payments. U.S. Bancorp has also partnered with several fintech companies to enhance its payments and tech capabilities, and leverages its strengths in data analytics to create a smarter, faster, easier banking experience for customers. In addition, U.S. Bancorp has created a Chief Digital Officer role on U.S. Bancorp's managing committee, reflecting U.S. Bancorp's focus on digital banking services. U.S. Bank aims to be a leader in digital capabilities, and was recently named by industry benchmarking firm Keynova Group as not only the top mobile app, but also first overall in mobile banking.

- *Effectively Addressing Union Bank's Recent Consent Order*: The Applicant is uniquely positioned to support Union Bank in its remediation of its technology and operational risk management deficiencies that were identified in the Consent Order dated September 20, 2021 between the OCC and Union Bank (the "Consent Order"). The Applicant has made substantial investments to develop best-in-class information technology systems, which operate under the oversight of robust risk management and compliance programs. The Applicant's robust, continuously maturing technology framework and structure, with strong risk and control environments, technologies, processes, and business cultures, will provide support following the Closing for Union Bank to remediate the issues identified in the Consent Order more effectively and expeditiously than Union Bank could on its own.

Additional information regarding the Proposed Transaction is provided below. For the reasons set forth in this Application, U.S. Bancorp believes that the Proposed Transaction satisfies all of the criteria that the Board is required to consider under Section 3 of the BHC Act and applicable regulations in order to approve this Application on a timely basis.

II. PARTIES TO THE PROPOSED TRANSACTION

A. U.S. Bancorp and Its Subsidiaries

1. U.S. Bancorp

U.S. Bancorp, a Delaware corporation, is a multi-state financial services holding company headquartered in Minneapolis, Minnesota that is registered as a bank holding company under the BHC Act, and has elected to be treated as a financial holding company under the BHC Act. U.S. Bancorp provides a full range of financial services, including lending and depository services, cash management, capital markets, and trust and investment management services. It also engages in credit card services, merchant and ATM processing, mortgage banking, insurance, brokerage and leasing.

As described further below, U.S. Bancorp's banking subsidiary, U.S. Bank, is engaged in the general banking business, principally in domestic markets. U.S. Bank provides a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within U.S. Bancorp's domestic markets, to domestic customers with foreign operations and to large national customers operating in specific industries targeted by U.S. Bancorp, such as healthcare, utilities, oil and gas, and state and municipal government. Lending services include traditional credit products as well as credit card services, lease financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as capital markets, treasury management and receivable lock-box collection are provided to corporate customers. U.S. Bancorp's bank and trust subsidiaries provide a full range of asset management and fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

As of June 30, 2021, U.S. Bancorp had approximately $558.9 billion of total consolidated assets and over 68,000 full-time equivalent employees.

2. U.S. Bank National Association

U.S. Bank is a national bank with its main office in Cincinnati, Ohio and principal place of business in Minneapolis, Minnesota. U.S. Bank is a direct wholly-owned subsidiary of U.S. Bancorp and, as of June 30, 2021, approximately 98% of U.S. Bancorp's total assets are held by or through U.S. Bank.

U.S. Bank is engaged in the general banking business, principally in domestic markets, providing a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within U.S. Bank's domestic markets, to domestic customers with foreign operations and to large national customers operating in specific industries targeted by U.S. Bank, such as healthcare, utilities, oil and gas, and state and municipal government. Lending services include traditional credit products as well as credit card services, lease financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as capital markets, treasury management and receivable lock-box collection are provided to corporate customers. Together with U.S. Bancorp's trust subsidiaries, U.S. Bank also provides a full range of asset management and fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

U.S. Bank is structured along the following material business segments:

- *Corporate and Commercial Banking*: Offers lending, equipment finance and small ticket leasing, depository services, treasury management, capital markets services, international trade services and other financial services to middle market, large corporate, commercial real estate, financial institution, nonprofit and public sector clients.

- *Consumer and Business Banking*: Delivers products and services through banking offices, telephone servicing and sales, online services, direct mail, ATM processing and mobile devices, and encompasses community banking, metropolitan banking, indirect lending and mortgage banking.

- *Wealth Management and Investment Services*: Provides private banking, financial advisory services, investment management, retail brokerage services, insurance, trust, custody and fund servicing through four businesses: Wealth Management, Global Corporate Trust & Custody, U.S. Bancorp Asset Management, and Fund Services.

- *Payment Services*: Includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services, consumer lines of credit and merchant processing.

- *Treasury and Corporate Support*: Includes U.S. Bank's investment portfolios, funding, capital management, and interest rate risk management, income taxes not allocated to the business lines, including most investments in tax-advantaged projects, and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis.

Banking and investment services are provided through a network of 2,266 banking offices, principally operating in the Midwest and West regions of the United States, through online services, over mobile devices and through other distribution channels. U.S. Bank also operates a large network of ATMs and provides 24-hour, seven day a week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout U.S. Bank's domestic markets. Lending products may be originated through banking offices, indirect correspondents, brokers or other lending sources.

U.S. Bank is committed to delivering best-in-class products and services, including through its award-winning digital capabilities and technology. In its third-quarter 2021 Mobile Banker Scorecard, the industry benchmarking firm Keynova Group named U.S. Bank as not only the top mobile app, but also the top overall mobile banking platform (mobile app and mobile web). Keynova Group evaluated the top 17 banks in the United States on more than 200 criteria across four main categories: functionality, ease of use, privacy and security, and quality and availability, with U.S. Bank's rise to the top position being "propelled by the release of key upgrades." The No. 1 ranking from Keynova Group follows numerous other recent accolades for the U.S. Bank Mobile App, including a No. 1 from Business Insider Intelligence for customer service, a No. 1 ranking from Cornerstone Advisors for Mobile Check Deposit, and the No. 1 digital mortgage tools in the industry according to Kiplinger. U.S. Bank's Mobile App has also received accolades from its customers, with more than a million five-star reviews in the app stores.

U.S. Bank has a strong record of introducing new technology-driven products and services, including innovative ways that customers can make payments or manage their accounts, such as the following:

- *U.S. Bank Smart Assistant*: U.S. Bank employs the U.S. Bank Smart Assistant to leverage voice technology to support many complex tasks for consumers including (i) informational services, including reviewing payments & deposit activity, viewing and redeeming rewards, locating branches and ATMs, accessing account statements, (ii) transactional services, including paying bills, depositing checks and payment services, (iii) servicing activities, such as updating consumer information, managing account access and information.

- *Artificial Intelligence Powered Savings Feature*: U.S. Bank offers an artificial intelligence feature in the U.S. Bank Mobile App that automatically identifies intelligent ways customers can save money, by finding and offering recommendations based on their personalized cash flow patterns.

- *Co-Browse and Video Banking*: U.S. Bank provides a co-browse feature that allows customers to share their screen with a banker so they can view and navigate online and mobile banking together, as well as a one-way video feature that allows customers to see branch bankers that are providing customer assistance.

- *Digital Checking Account Modernization*: U.S. Bank recently reimagined how customers open digital accounts, overhauling and streamlining each step for greater customer convenience and efficiency.

- *Secure Open Finance API*: U.S. Bank, in partnership with Plaid (a leading financial technology company), offers its customers an API-based, credential-less open finance experience that allows U.S. Bank's customers to adjust their permissions quickly and easily and the settings will remain synced across more than 4,500 applications on Plaid's network.

- *API-Based Consumer Financial Data Network*: In November 2020, U.S. Bank announced that it would integrate with the Akoya Data Access Network, allowing U.S. Bank customers to grant, monitor, and revoke access to their financial data. More importantly, unlike other financial data aggregation, all consumer-permissioned data that passes through the Akoya Data Access Network is not copied or stored by the intermediary.

- *Small Business Point of Sale System*: U.S. Bank provides software that allows businesses to manage multiple operational tasks—such as order management, inventory and staff reporting, customer management, business insights and payments processing—in a single, integrated point-of-sale system.

- *Instant Card Solution for Remote Employees*: During the COVID-19 pandemic, U.S. Bank launched a new corporate card, the U.S. Bank Instant Card, which could be sent directly to a mobile wallet to help companies support their employees working from home, or site leaders tasked with re-opening offices, factories, and stores with the procurement of home office equipment or essential PPE and cleaning supplies.

At June 30, 2021, U.S. Bank had total assets of $547.9 billion, total deposits of $442.9 billion and total deposits held in domestic offices of $422.8 billion. For a list of U.S. Bank's main office and branches, please see Public Exhibit 2.

B. MUFG Union Bank, National Association

Union Bank is a national bank with its main office in San Francisco, California, and is a direct wholly-owned subsidiary of MUFG Americas, a Delaware corporation and a bank holding company under the BHC Act that has elected to be treated as a financial holding company under the BHC Act. MUFG Americas is jointly owned by MUFG and MUFG Bank, Ltd. (formerly The Bank of Tokyo-Mitsubishi UFJ, Ltd.), a wholly-owned subsidiary of MUFG, and is the U.S. intermediate holding company of MUFG for purposes of the Board's Regulation YY.

Union Bank provides a comprehensive range of banking, consumer finance, investment, asset management, and other financial products and services to individual consumers, small and medium-sized enterprises, and large corporations, primarily in California, Oregon, Washington, and Texas through 296 branches.

Union Bank provides banking products and services to individual and business customers in California, Washington, and Oregon through seven major business lines. Union Bank's "Community Banking" business line serves consumers through 296 full-service branches, digital channels, call centers, and ATMs. It offers traditional banking products and services, including checking and other deposit accounts, residential mortgage loans, consumer loans, home equity lines of credit, credit cards, and bill and loan payment services. Union Bank's "Small Business" business line serves small businesses with annual revenues up to $10 million, with products and services including business checking and deposit accounts, small business loans, branch direct loans, merchant services, and access to Wealth Management and Consumer Banking products. Through its "Business Banking" business line, Union Bank provides business loans to clients across a wide range of industries with annual revenues from $10 million to $50 million, as well as checking and other deposit accounts, U.S. Small Business Administration loans, and certain real estate related loans.

Union Bank's "Commercial Banking" business line provides commercial loans to clients across a wide range of industries with annual revenues from $50 million to $2 billion. By working with Union Bank's other segments in a strategic and coordinated approach, Commercial Banking clients can engage in a fully integrated platform of products and services, including treasury management, investment banking, corporate capital markets and advisory services, foreign exchange, interest rate and other derivative products, and Wealth Management products.

Union Bank's "Real Estate Industries" business line serves professional real estate investors and developers with products such as construction loans, commercial mortgages, and bridge financing. Property types supported include apartment, office, retail, industrial and single-family residential on the West Coast and in select metropolitan areas across the country. Real Estate Industries also makes tax credit investments in affordable housing projects through its Community Development Finance unit. Union Bank's "Wealth Management" business line serves corporate, institutional, non-profit, and high-net worth and affluent individual clients by delivering wealth planning and trust and estate services, investment management services through Union Bank's Trust Department (or Investment Management and Trust unit) and HighMark Capital Management, Inc. (an SEC-registered investment advisory firm wholly owned by Union Bank), brokerage and investment advisory services through UnionBanc Investment Services, LLC (an SEC-registered broker-dealer/investment advisory firm wholly-owned by Union Bank) and private wealth management.[1]

In addition, MUFG Americas' "Global Corporate & Investment Banking—U.S." business line delivers a full suite of products and services to large and mid-corporate customers, employing an industry-focused strategy including dedicated coverage teams in General Industries, Power and Utilities, Oil and Gas, Telecom and Media, Technology, Healthcare and Nonprofit, Public Finance, and Financial Institutions (predominantly Insurance and Asset Managers). Global

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[1] Brokerage services include sales of fixed and variable life insurance and annuities and long-term care policies as agent for third party insurance companies in conjunction with Union Bank, which holds insurance licenses in California, Oregon and Washington.

Corporate & Investment Banking—U.S. also provides customers with general corporate credit and structured credit services, including project finance, leasing and equipment finance, funds finance and asset-based finance. Prior to the Acquisition, assets and liabilities of the Global Corporate and Investment Banking business line and several other small business groups which are booked to Union Bank, including associated loans, deposits, equity interests and personnel, will be sold to, and retained by, certain subsidiaries of MUFG or one of its affiliates and accordingly will not be acquired by U.S. Bancorp in the Acquisition (as described in Part III.B of this Preliminary Statement).

MUFG Americas' "Transaction Banking Americas" business segment works with Union Bank's business lines to deliver working capital management and payment services to Union Bank's customers.

At June 30, 2021, Union Bank had total assets of $133.2 billion and total deposits of $105.2 billion (and $105.4 billion in total assets and $89.9 billion in total deposits, each on a pro forma basis after giving effect to the Excluded Assets and Liabilities Transfer, described below). For a list of Union Bank's main office and branches, please see Public Exhibit 3.

On September 20, 2021, Union Bank entered into a consent order with the OCC, as described in more detail below.

III. DESCRIPTION OF THE PROPOSED TRANSACTION

The Proposed Transaction will provide U.S. Bancorp with greater scale and enhanced diversity, as well as an increased presence in a number of high-growth California and West Coast markets that complement U.S. Bancorp's current Western U.S. operations. U.S. Bancorp intends to serve existing Union Bank customers through a more expansive branch network and an extended array of products and services. After conducting extensive due diligence on Union Bank, U.S. Bancorp has concluded that the combination of their complementary businesses will result in a stronger banking organization better able to serve customers and communities.

The following is a summary of the Proposed Transaction, including the terms of the Purchase Agreement.

A. The Acquisition

Under the Purchase Agreement, U.S. Bancorp will, on the terms and subject to the conditions set forth therein, acquire all of the issued and outstanding shares of common stock of Union Bank from MUFG Americas, after which Union Bank (at the time of the systems conversion onto U.S. Bank's platform) will merge into U.S. Bank.

Prior to the consummation of the Acquisition and subject to the terms of the Purchase Agreement, MUFG and MUFG Americas will cause Union Bank and its direct and indirect subsidiaries to transfer to MUFG or one of its affiliates that will not be acquired by U.S. Bancorp specified assets, deposits, personnel and equity interests described in the Purchase Agreement relating to Union Bank's Global Corporate and Investment Bank business line, certain middle and back office functions, and certain additional assets and liabilities (collectively, the "Excluded Assets and Liabilities Transfer").

In consideration for the Acquisition, on the closing date U.S. Bancorp will pay to MUFG Americas a purchase price of approximately $8.0 billion, consisting of $5.5 billion in cash, subject to certain adjustments (the "Cash Consideration"), and 44,374,155 shares of U.S. Bancorp common stock (the "Stock Consideration"). The Stock Consideration is valued at approximately $2.5 billion based on the volume-weighted average trading price of U.S. Bancorp's common stock for the 10 trading days immediately prior to the signing of the Purchase Agreement. The Stock Consideration will be subject to transfer restrictions for six months after the closing of the Acquisition pursuant to the Purchase Agreement and U.S. Bancorp has agreed to grant MUFG Americas certain registration rights with respect to the Stock Consideration pursuant to a registration rights agreement to be entered into by the parties at closing. The purchase price is based upon Union Bank having $6.25 billion of tangible book value at closing after giving effect to the Excluded Assets and Liabilities Transfer and the Special Dividend, as described below.

The Purchase Agreement has been approved unanimously by the boards of directors of each of U.S. Bancorp, MUFG and MUFG Americas. MUFG and MUFG Bank, Ltd., as the sole stockholders of MUFG Americas, have unanimously approved the Purchase Agreement. No other shareholder vote in respect of the Purchase Agreement is required for any party. Resolutions of U.S. Bancorp's board of directors related to the Acquisition are provided in Confidential Exhibit 1, and resolutions of the boards of directors of Union Bank and MUFG Americas related to the Acquisition are provided in Confidential Exhibit 2.

1. Governance Matters

The composition of U.S. Bancorp's board of directors, and the list of U.S. Bancorp's officers for purposes of Section 16 of the Securities Exchange Act of 1934, will not change as a result of the Acquisition.

2. Conduct of Business of Union Bank Pending the Acquisition

Pursuant to the Purchase Agreement, MUFG and MUFG Americas have agreed, prior to the completion of the Acquisition, to cause Union Bank and its subsidiaries that will be acquired by U.S. Bancorp (other than any business transferred in the Excluded Assets and Liabilities Transfer) to (i) carry on their businesses in the ordinary course of business in all material respects, (ii) use commercially reasonable efforts to preserve their present business organizations and relationships, and (iii) use commercially reasonable efforts to preserve the rights, franchises, goodwill and relations of their customers, clients and others with whom business relationships exist. U.S. Bancorp has agreed that it will not and that it will cause its subsidiaries not to, and MUFG and MUFG Americas have agreed to cause Union Bank and its subsidiaries not to, prior to the completion of the Acquisition, (i) knowingly take any action, or fail to take any action, that would reasonably be expected to prevent, materially impede or materially delay the consummation of the Proposed Transaction or impair the performance of their respective covenants and agreements under the Purchase Agreement or (ii) knowingly take any action intended or reasonably likely to result in any condition to the closing of the Acquisition not being satisfied. In addition, U.S. Bancorp, MUFG and MUFG Americas have agreed that, prior to the completion of the Acquisition, they and their respective subsidiaries will cooperate and use reasonable best efforts to obtain any regulatory approvals required to complete the Proposed

Transaction. The Purchase Agreement also contains customary specific covenants with respect to the ordinary course conduct of business for both U.S. Bancorp and Union Bank prior to the completion of the Acquisition.

3. Conditions to Completion of the Acquisition

The respective obligations of each of U.S. Bancorp, MUFG and MUFG Americas to complete the Acquisition are conditioned upon the satisfaction or waiver of certain customary conditions, including the following: (i) the receipt of required regulatory approvals, including the approval of the Board for the Acquisition, and the expiration or termination of all statutory waiting periods in respect thereof; (ii) subject to certain materiality thresholds, the accuracy of the representations and warranties made by the other parties as of the date of the Purchase Agreement and as of the closing date of the Acquisition; (iii) the performance in all material respects by each other party of the obligations in the Purchase Agreement required to be performed by it at or prior to the closing date of the Acquisition; (iv) the absence of any order, injunction, or other legal restraint preventing the completion of the Acquisition, Bank Merger or any other transaction contemplated by the Purchase Agreement, or making the consummation of the Acquisition illegal; (v) the consummation of the Excluded Assets and Liabilities Transfer; (vi) the consummation of the Special Dividend (as defined below), provided that the estimated tangible book value of Union Bank after giving effect to the Excluded Assets and Liabilities Transfer and the Special Dividend is at least $6.25 billion and not more than $11.25 billion; and (vii) the approval for listing on the New York Stock Exchange, subject to official notice of issuance, of the shares of U.S. Bancorp common stock to be issued to MUFG Americas upon consummation of the Acquisition.

4. Termination

The Purchase Agreement may be terminated at any time before the completion of the Acquisition in any of the following circumstances:

- by mutual written consent of U.S. Bancorp and MUFG;
- by either U.S. Bancorp or MUFG if:
    - any governmental entity that must grant a required regulatory approval has denied such approval and this denial has become final and nonappealable or a governmental entity has issued a final nonappealable order enjoining or otherwise prohibiting the consummation of the transactions contemplated by the Purchase Agreement, including the Acquisition and the Bank Merger;
    - the Acquisition has not been completed by September 30, 2022 (but neither U.S. Bancorp nor MUFG may terminate the Purchase Agreement for this reason if its material breach of any representation, warranty or obligation under the Purchase Agreement has resulted in the failure of the Acquisition to occur by that date), provided that this termination date may be extended to December 31, 2022 at the option of either U.S. Bancorp or

MUFG (if such party would otherwise be permitted to terminate the Purchase Agreement) if the required regulatory approvals have not been obtained and are reasonably capable of being obtained during such extension period; or

- there is a breach by the other party of the Purchase Agreement that would prevent satisfaction of the closing conditions and the breach cannot be cured prior to the Purchase Agreement termination date or is not cured within 45 days after receipt of written notice of the breach, but neither U.S. Bancorp nor MUFG may terminate the Purchase Agreement for this reason if it itself is then in material breach of the Purchase Agreement.

5. Indemnification

Each of MUFG and U.S. Bancorp will indemnify the other party and the other party's affiliates and their respective representatives for losses relating to breaches of representations and warranties, covenants and certain tax matters, and MUFG will indemnify U.S. Bancorp for losses relating to the Excluded Assets and Liabilities, and certain other matters, subject to the following limitations:

- The maximum aggregate indemnification liability for breaches of representations and warranties (except for breaches of certain fundamental representations and warranties and, in the case of MUFG and MUFG Americas, certain other representations and warranties) is capped at $800.0 million. The maximum aggregate indemnification liability of MUFG and MUFG Americas for breaches of representations and warranties (except breaches of certain fundamental representations and warranties), and certain other specified matters, is capped at $1.2 billion. Absent fraud, the maximum, aggregate indemnification liability for breaches of representations and warranties (including fundamental representations) is capped at the amount of the purchase price (as adjusted in accordance with the Purchase Agreement).

- A party's losses for breaches of representations and warranties (other than fundamental representations and warranties and, in the case of MUFG and MUFG Americas, certain other representations and warranties) must first exceed $200,000 on a per claim basis (or series of related claims), and $80.0 million in the aggregate before the other party is liable for the amount of losses in excess of such threshold.

* * *

For additional information regarding certain terms and conditions of the Purchase Agreement, please see Confidential Exhibit 3.

B. The Excluded Assets and Liabilities Transfer

The Excluded Assets and Liabilities Transfer will be effected prior to the closing of the Acquisition pursuant to an Excluded Assets and Liabilities Purchase and Assumption Agreement (the "P&A Agreement") among MUFG Bank, Ltd., MUFG Americas, Union Bank and certain subsidiaries of Union Bank that would be transferred to U.S. Bank under the Purchase Agreement ("Transferred Subsidiaries"). On the terms and subject to the conditions of the P&A Agreement, MUFG Bank, Ltd., MUFG Americas or one of their affiliates (other than Union Bank and the Transferred Subsidiaries) will purchase and assume certain identified assets, liabilities (including deposit liabilities) and equity interests, including certain specified assets, liabilities (including deposit liabilities) and equity interests primarily related to, or used primarily in connection with, specified businesses conducted by Union Bank and its subsidiaries, as set forth in Schedule 4 of the Purchase Agreement (collectively, the "Excluded Assets and Liabilities").

Additional information regarding the Excluded Assets and Liabilities Transfer, including a form of P&A Agreement and Schedule 4 of the Purchase Agreement, is provided as Confidential Exhibit 4. Under the terms of the Purchase Agreement, the parties have agreed to work in good faith to finalize the form of the P&A Agreement within 30 days of the date of the Purchase Agreement.

C. The Special Dividend Transaction

Immediately prior to the completion of the Acquisition and subject to the satisfaction or waiver of all closing conditions (other than those conditions that by their nature are to be satisfied at the closing and would be satisfied if the closing were to then occur), Union Bank will dividend or distribute to MUFG Americas, or repurchase a portion of its shares from MUFG Americas for, an amount, subject to receipt of approval by the OCC (which Union Bank will use its reasonable best efforts to obtain), sufficient to reduce its tangible book value immediately prior to the closing of the Acquisition to $6.25 billion (the "Special Dividend"), or such lesser amount of Special Dividend as the regulators may approve. However, U.S. Bancorp, MUFG and MUFG Americas are not obligated to complete the Acquisition if Union Bank does not receive regulatory approval to pay a Special Dividend sufficient to reduce Union Bank's tangible book value immediately prior to the closing of the Acquisition to $11.25 billion or less.

Subject to the closing condition noted above, if the estimated tangible book value of Union Bank at the closing of the Acquisition exceeds $6.25 billion, then U.S. Bancorp will deliver to MUFG Americas the amount of any such excess, up to a maximum of $5 billion (the "Excess Capital Amount"), on or prior to the fifth anniversary of the completion of the Acquisition. U.S. Bancorp will have the right to deliver to MUFG Americas all or any portion of the Excess Capital Amount at any time prior to the fifth anniversary of the completion of the Acquisition, provided that U.S. Bancorp has agreed to use reasonable best efforts to deliver at least $1 billion of the Excess Capital Amount (or, if the Excess Capital Amount is less than $1 billion, all of the Excess Capital Amount) upon, or within three months after, the conversion of Union Bank's systems to U.S. Bank systems. In the event there is expected to be any Excess Capital Amount, then MUFG and MUFG Americas will cause Union Bank to hold, as of the closing of the Acquisition, cash and cash equivalents that are no less than the Excess Capital Amount.

D. The Bank Merger

Pursuant to the terms of the Purchase Agreement, following the closing of the Acquisition, Union Bank will merge with and into U.S. Bank, with U.S. Bank surviving the merger and continuing its corporate existence as a national bank (U.S. Bank following the Bank Merger, the "Surviving Bank"), and with the separate corporate existence of Union Bank ceasing thereupon. The Bank Merger will be implemented pursuant to an agreement and plan of merger in a customary form to be specified by U.S. Bancorp and approved by MUFG Americas. U.S. Bancorp intends to own and operate Union Bank and U.S. Bank as separate depository institution subsidiaries for a limited period of time following the effective date of the Acquisition until the systems conversion occurs.

There will be no separate consideration paid in connection with the Bank Merger. At the effective time of the Bank Merger, each issued and outstanding share of Union Bank's common stock will be cancelled and each issued and outstanding share of U.S. Bank's common stock will remain unchanged and outstanding.

Following the Bank Merger, the directors and officers of U.S. Bank, in each case then serving immediately prior to the effective time of the Bank Merger, will continue to serve as the directors and officers, respectively, of the Surviving Bank.

A list and description of the subsidiaries of Union Bank that will indirectly become subsidiaries of U.S. Bancorp as a result of the Proposed Transaction is provided in Confidential Exhibit 5.

E. Regulatory Approvals and Notices

Following is a summary of the regulatory approvals and notices that the parties have determined will be required to be obtained or made in order to consummate the Proposed Transaction:

1. Board Approval Under Section 3 of the BHC Act

The Applicant must obtain the prior approval of the Board pursuant to Section 3(a)(3) of the BHC Act and Sections 225.11(b) and (c) of Regulation Y to effect the Acquisition. By this Application, the Applicant requests the Board to grant such approval.

2. OCC Approval Under the Bank Merger Act

Under the Bank Merger Act, U.S. Bank is required to obtain the prior approval of the OCC in order to effect the Bank Merger. A separate application for approval of the Bank Merger under the Bank Merger Act is being submitted to the OCC in connection with this Application.

3. FDIC Approval Under the Bank Merger Act

MUFG Bank Ltd. or its affiliate that assumes deposit liabilities from Union Bank pursuant to the P&A Agreement will be required to obtain the prior approval of the FDIC under the Bank Merger Act. A separate application for approval of the assumption of deposits in connection with the Excluded Assets and Liabilities Transfer will be submitted to the FDIC within 15 days of U.S. Bancorp's agreement to a final form of the P&A Agreement.

4. JFSA Approval

MUFG Bank Ltd. or its affiliate will be required to obtain the prior approval of the JFSA in respect of the Excluded Assets and Liabilities Transfer. A separate application for approval of Excluded Assets and Liabilities Transfer will be submitted to the JFSA within 90 days of U.S. Bancorp's agreement to a final form of the P&A Agreement.

5. OCC Approval for Special Dividend

Union Bank will be required to obtain the prior approval or non-objection from the OCC in respect of the Special Dividend. A separate application for approval or non-objection of the Special Dividend will be submitted to the OCC within 15 days of U.S. Bancorp's agreement to a final form of the P&A Agreement.

6. Certain Other Non-Banking Filings

Certain other filings will be made in respect of the Proposed Transaction, including filings under the Hart-Scott-Rodino Act and certain filings in respect of the indirect acquisition by the Applicant of Union Bank's subsidiary, UnionBanc Investment Services, LLC, including filings for change-of-control approval or non-objection with the Financial Industry Regulatory Authority and to comply with requirements of certain state insurance and securities authorities. UnionBanc Investment Services, LLC and HighMark Capital Management, Inc. each will file an amendment to or update its Form ADV with the U.S. Securities and Exchange Commission to reflect the Acquisition.

IV. STATUTORY AND REGULATORY CRITERIA FOR APPROVAL

In rendering a decision on an application filed under Section 3 of the BHC Act and Section 225.11 of Regulation Y, the Board is required to consider (i) the effect of a proposed transaction on competition; (ii) the financial and managerial resources of the applicant, its bank subsidiaries, the target, and the combined company; (iii) the convenience and needs of the community; (iv) compliance with the applicable criteria of the Community Reinvestment Act of 1977 (the "CRA"); (v) the anti-money laundering efforts of Union Bank and the acquiring bank; (vi) compliance with interstate banking related requirements, including under the Riegle-Neal Interstate Branching and Efficiency Act of 1994 (the "Riegle-Neal Act"); and (vii) the risk to the stability of the U.S. banking or financial system.[2] U.S. Bancorp respectfully submits that the Proposed Transaction satisfies each of these criteria and is consistent with approval.

[2] *See* 12 U.S.C. § 1842(c); 12 C.F.R. § 225.13.

A. Competition

The Proposed Transaction would not have adverse competitive effects or result in decreased competition within the United States or within any of the defined markets in which U.S. Bank and Union Bank overlap. On a nationwide basis, at June 30, 2021, U.S. Bank had total deposits held in domestic offices of $422.8 billion, representing 2.5% of total nationwide deposits, and Union Bank had total deposits held in domestic offices of $105.2 billion, representing 0.6% of total nationwide deposits.[3] On a pro forma basis and after giving effect to the Excluded Assets and Liabilities Transfer, the combined organization will hold approximately $512.7 billion in total domestic deposits, accounting for less than 3% of total nationwide deposits.

The existing branch banking operations of the Applicant and Union Bank overlap in 26 Federal Reserve banking markets, located in the states of California, Oregon and Washington.[4] The vast majority of Applicant's and Union Bank's overlapping branch banking operations is in California, which contains 24 of the overlapping banking markets. The banking market in California is extremely competitive, and the sheer number and size of banks and other financial services companies in California ensures that the industry will remain highly competitive in that state. There are more than 500 banks, thrifts, and credit unions serving consumers and businesses with branches in California. Currently, the Applicant is the 10th largest insured depository organization in California, as measured by deposits, with a 2.4% statewide deposit market share.

The three largest competitors in the state are GSIBs that control 22.3%, 15.5% and 12.2% of the total deposits in California, respectively.[5] Following consummation of the Proposed Transaction (and after giving effect to the Excluded Assets and Liabilities Transfer), the Applicant would be the 5th largest insured depository organization in California, as measured by deposits, with less than 7% of the deposits in the state. In every California Federal Reserve banking market

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[3] According to the FDIC's "Statistics on Depository Institutions" database, FDIC-insured commercial banks and thrifts held $17,164 billion in domestic deposits, as of June 30, 2021. *See* FDIC Statistics at a Glance (as of June 30, 2021) *available at* https://www.fdic.gov/analysis/quarterly-banking-profile/statistics-at-a-glance/2021jun/industry.pdf.

[4] For purposes of the FDIC's "Summary of Deposits" data, Union Bank reports all nationwide deposits attributable to Union Bank's online-only digital bank division, "PurePoint Financial," as being located at its operations center located at 1225 W. Washington St., Tempe, Arizona 85281 (which operations center performs back-room operations associated with PurePoint Financial web activity) (the "PurePoint Operations Center"). Union Bank does not operate a "branch" at the PurePoint Operations Center (or otherwise in the state of Arizona) for purposes of the National Bank Act, the Federal Deposit Insurance Act or the Riegle-Neal Act. The Applicant further notes that in light of the diffuse geographic nature of the internet deposits of Union Bank's PurePoint Financial platform as well as the large number of internet-based competitors, the acquisition of such PurePoint Financial deposits would not result in a material increase in concentration in any single market, including any in which U.S. Bank or Union Bank has a physical location. *See* TIAA Board of Overseers, Teachers Insurance and Annuity Association of America, and TCT Holdings, Inc., FRB Order No. 2017-16 (Jun. 7, 2017). The Phoenix, Arizona Federal Reserve banking market and associated county and MSA is included in the exhibits referenced in this Part IV.A. solely to demonstrate that even assuming that all of the deposits of the PurePoint Financial platform are located at the PurePoint Operations Center, the Proposed Transaction would not have adverse competitive effects or result in decreased competition within the Phoenix, Arizona banking markets.

[5] The deposit market shares are calculated using the Federal Reserve's baseline deposit weighting for deposits of banks and thrifts. Under the Federal Reserve's baseline deposit weighting assumptions, commercial bank deposits are weighted at 100%, deposits of thrifts and savings banks at 50%, and deposits of credit unions at 0%.

where the Applicant and Union Bank have overlapping branch bank operations, other than in one very small banking market discussed below, at least three GSIBs hold leading market positions and are currently among the top five largest competitors in each market, as measured by deposits, and often comprise the three largest competitors in each market. These firms have held their leading positions in California for more than a decade. The Proposed Transaction would allow the Applicant to compete more effectively against these market leaders and would have a pro-competitive impact in the state, increasing competition generally and creating a more balanced market structure in the overlapping markets.

The banking markets in Oregon and Washington are similarly competitive, with more than 100 banks, thrifts, and credit unions serving consumers and businesses with branches in Oregon and more than 150 such institutions in Washington. Currently, Union Bank is the 21st largest insured depository organization by deposit size in Oregon (with only 0.4% of the statewide deposit market share), and the 14th largest insured depository organization by deposit size in Washington (with only 1.1% of the statewide deposit market share). In both Oregon and Washington, three GSIBs each control over 10% of the total statewide deposits.

Herfindahl-Hirschman Index ("HHI") calculations illustrating the impact of the Proposed Transaction on the relevant banking markets are included in Public Exhibit 4. As set forth in Public Exhibit 4 and as discussed below, the resulting HHI and change in HHI after the Proposed Transaction would be well within the 1800/200 HHI "safe harbor" provided under the DOJ Bank Merger Competitive Review guidelines, and the pro forma deposit market share in the overlapping Federal Reserve banking markets would be well below 35%, in each case for all but one very small overlapping Federal Reserve banking market when applying the Federal Reserve's baseline deposit weighting assumptions, even before giving effect to competitive non-bank participants, such as thrifts and credit unions.

Specifically, in none of the 25 overlapping Federal Reserve banking markets (excluding the Big Bear Lake, California banking market described below) would the Proposed Transaction result in a pro forma deposit market share of 25% or more, and the pro forma deposit market share in 17 of these 25 overlapping Federal Reserve banking markets would be less than 10%.[6] In addition, the Proposed Transaction would result in a pro forma HHI total of less than 1800 in 22 of these 25 overlapping Federal Reserve banking markets (excluding the Big Bear Lake banking market), and would result in an HHI increase of less than 200 in 24 of these 25 overlapping Federal Reserve banking markets (excluding the Big Bear Lake banking market).[7] Of these 25 overlapping Federal

[6] The combined organization's pro forma weighted deposit market shares would exceed 10% only in the Portland, OR-WA, Sacramento, CA, Hesperia-AppleValley-Victorville, CA, Santa Barbara, CA Watsonville, CA, San Diego, CA, Palm Springs-Cathedral City-Palm Desert, CA and Seattle, WA banking markets (in addition to Big Bear Lake, CA), ranging from a pro forma weighted deposit market share of 11.05% in the Seattle, WA market to 22.3% in the Portland, OR market.

[7] The Proposed Transaction would result in a total HHI in excess of 1800 only in the Davis, CA, Hesperia-AppleValley-Victorville, CA, and Temecula, CA banking markets (in addition to Big Bear Lake, CA), ranging from a resulting HHI of 1932 in the Temecula, CA market to a resulting HHI of 2142 in the Davis, CA market (and each with an HHI increase of less than 200). The Proposed Transaction would result in an HHI increase of barely more than 200 only in the Sacramento, CA banking market, in which the HHI would increase by 207 to a resulting HHI of only 1527.

Reserve banking markets, 21 would have HHI increases of less than 50 points, and 23 would have HHI increases of less than 100 points.

The Proposed Transaction's limited competitive impact is further evidenced by the unconcentrated small business lending markets in the counties and metropolitan statistical areas ("MSA") where both U.S. Bank and Union Bank are present.[8] The resulting HHIs of small business loans are well within the "safe harbor" thresholds in every overlapping county and MSA. The vast majority of the overlapping markets would experience minimal HHI increases and would have pro forma HHIs that would be considered "unconcentrated" by the Federal Reserve and Department of Justice. The relatively lower levels of concentration in small business lending in these overlapping markets evidence the strength of competitors that would continue following the Proposed Transaction. In many of the overlapping markets, small business lending data also evidence the presence and strength of certain out-of-market banks that do and will continue to provide small business lending in the market. Additional information regarding the small business lending competitive market structure in overlapping counties and MSAs is provided in Public Exhibit 6.

In only one of the 26 overlapping Federal Reserve banking markets—the Big Bear Lake, California banking market, with less than $375 million of total market deposits— would the Proposed Transaction result in HHI levels that exceed the 1800/200 "safe harbor" thresholds (with an HHI increase of 1282 and a resulting HHI total of 3963 under the Federal Reserve's baseline deposit weighting), and a pro forma deposit market share that would exceed 35% (with a pro forma market share of 52.6% under the Federal Reserve's baseline deposit weightings). However, as the Federal Reserve and courts have found, the relevant banking market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and must consist of the local area where the banks involved offer their services as well as where local customers can practicably turn for alternatives.[9] In delineating the relevant geographic market in which to assess the competitive effects of a banking merger or acquisition, the Federal Reserve has reviewed indicia of economic integration between communities, including population density, worker commuting patterns, and advertising patterns of financial institutions.[10] In particular, the Federal Reserve has looked to such special indicia of economic integration to delineate the relevant geographic market in which to assess the competitive effects of a banking merger or acquisition in proposals involving

[8] Small business lending conservatively refers to the origination of loans between $100,000 and $1 million in size based on the most recently available 2019 CRA loan origination data reported to the FFIEC, with estimates for non-reporting, in-market institutions based on 2019 commercial real estate and C&I loans outstanding reported on year-end 2019 Call Reports. Loans below $100,000 have not been included so as to exclude at least most credit card lending from all banks (which is typically in amounts below $100,000). Non-reporting institutions for 2019 CRA data include those for which total assets did not exceed $1.284 billion as of December 31 of either of the prior two calendar years (*see* https://www.ffiec.gov/cra/reporter19.htm). Outstanding loans for non-reporting institutions were allocated to the market based on the percent of the non-reporter's total domestic deposits reported in the market and then multiplied by 0.6 to approximate originations. The 0.6 factor is based on the aggregate reported CRA loan origination data reported to the FFIEC relative to the aggregate outstanding commercial real estate and C&I loans reported on Call Reports by CRA-reporting institutions.

[9] *See* St. Joseph Valley Bank, 68 Federal Reserve Bulletin 673, 674 (1982); CB Financial Corporation, 79 Federal Reserve Bulletin 2 (1993); North Fork Bancorporation, Inc., 81 Federal Reserve Bulletin 7 (1995); FleetBoston Financial Corporation, 86 Federal Reserve Bulletin 11 (2000).

[10] *Id.*

markets characterized by seasonal economic activity (including those with a "unique character" as a resort area), a relatively low population density, and predominantly small businesses.[11]

In this case, the Big Bear Lake market is a resort area in Southern California, with 3,000 acres and 23 miles of shoreline, two ski resorts, and bordered by the San Bernardino National Forest. Located approximately two hours from Los Angeles and Palm Springs, Big Bear Lake is a popular tourist destination for skiing, hiking, fishing, water sports and other recreational opportunities.[12] Big Bear Lake experiences seasonal economic activity, with two peak seasons: first, in the winter, from Thanksgiving to March, and second, in the summer, from Memorial Day to Labor Day weekend.[13] Notably, there are substantial indicia of economic integration between the Big Bear Lake Federal Reserve banking market and other metropolitan areas (including other parts of San Bernardino County as well as the city of Los Angeles, California) that warrant consideration in the delineation of the relevant geographic competitive market, given Big Bear Lake's unique character as a seasonal tourist resort area.

According to U.S. Census Bureau data and as shown in Public Exhibit 5, nearly 82% of individuals living within the Big Bear Census County Divisions ("CCD") are employed outside of the Big Bear CCD, and over 58% of individuals employed within the Big Bear CCD live outside of the Big Bear CCD.[14] As also demonstrated by U.S. Census Bureau data and as shown in Public Exhibit 5, a significant number of workers residing in the Big Bear CCD commute to work in major metropolitan areas, including approximately 12% of Big Bear-resident workers who work in the city of Los Angeles, and an additional 11% of Big Bear-resident workers who work in the cities of San Bernardino, Riverside, San Diego, Long Beach, Anaheim, and Irvine, California. These data demonstrating the high level of commuting between the Big Bear CCD and areas outside of the Big Bear CCD indicate substantial economic integration between the Big Bear CCD and surrounding metropolitan areas, including access to alternative providers of financial services.[15] Moreover, although Big Bear Lake's population is only approximately 13,000, as of

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[11] *See* CB Financial Corporation, 79 Federal Reserve Bulletin 2 (1993) (considering the competitive effects in Charlevoix, Michigan with a "unique character as a summer resort divided by a drawbridge in the center of town"); North Fork Bancorporation, Inc., 81 Federal Reserve Bulletin 7 (1995) (considering the competitive effects in the East Hampton, South Hampton, and nearby areas on Long Island, New York that are "characterized by seasonal economic activity, including agriculture, fishing, and tourism, a relatively low population density, and predominantly small businesses").

[12] *See* www.bigbear.com

[13] *See* https://www.bigbear.com/travel-tools/faqs/

[14] The Big Bear Lake Federal Reserve banking market is defined to include Big Bear Lake and Big Bear City in the Big Bear CCD. *See* Banking Markets in the Twelfth Federal Reserve District (May 2019), *available at*: https://www.frbsf.org/banking/files/marketdef-May-2019.pdf

[15] *Cf*. North Fork Bancorporation, Inc., 81 Federal Reserve Bulletin 7 (1995) (finding "high level of commuting between eastern Suffolk County and the rest of the New York Market" indicating "substantial economic integration between the two areas" where "22 percent of the labor force residing in eastern Suffolk County commute to work elsewhere in the New York Market, including 4 percent who commute to New York City," and where "26 percent of all persons employed in eastern Suffolk County commute from other parts of the New York Market"); FleetBoston Financial Corporation, 86 Federal Reserve Bulletin 11 (2000) (finding "substantial economic integration" based on similar census data from eastern Suffolk County).

April 1, 2020, Big Bear Lake reportedly is visited by approximately 3 million tourists each year.[16] This significant level of tourism demonstrates that Big Bear Lake is effectively integrated with banking markets throughout the country from which tourists visit and which are served by various bank and non-bank competitors, and supports a finding that Big Bear Lake is an attractive market for entry and expansion by banking institution seeking to serve this strong tourist economy.

In addition to the economic integration due to the unique commuting patterns, Big Bear Lake customers can practicably turn to a number of alternative competitors for their banking and financial services needs. First, strong competitors would remain in the market, with two other in-market banks that have deposit market shares of between 15% and 30%. In addition, the resulting HHI figures calculated using the Federal Reserve's baseline deposit weighting (which weights the deposits of credit unions at 0%) do not take into account the presence of Alaska USA Federal Credit Union ("Alaska USA") in the Big Bear Lake Federal Reserve banking market. Alaska USA operates an easily accessible street-level branch on the same road (Big Bear Boulevard) as, and located less than one-quarter of a mile from, each of U.S. Bank's and Union Bank's Big Bear Lake branches. Alaska USA also has broad membership eligibility criteria applicable to the Big Bear Lake market, with anyone who lives in California's San Bernardino County eligible for membership, and offers a range of consumer banking products and business banking products (including various business loan and deposit products).[17] Accordingly, the competitive significance of Alaska USA's presence in the Big Bear Lake market merits consideration in the HHI deposit market share analysis.[18] By weighting the deposits of Alaska USA at 50%, the HHI increase in the Big Bear Lake market would be lowered by 372 points (to 910), the resulting HHI would be lowered by 901 points (to 3062) and the pro forma market share would be lowered by 8.28% (to 44.32%), each as compared to the Federal Reserve's baseline deposit weightings.[19]

Second, Big Bear Lake customers would continue to have access to the significant number of banks and non-banks that now increasingly deliver financial products and services to consumers through online or mobile banking, which results in broader geographic reach for some banks, especially large banks. Surveys conducted by the Federal Reserve have acknowledged the related growing trend of "business owners increasingly turn[ing] to online lenders for funding. In 2016, some one-in-five credit applicants (21%) sought financing at an online lender, rising to nearly one-in-four (24%) in 2017."[20] As the Federal Reserve recently noted in its proposed rulemaking

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[16] See https://www.bigbear.com/care-for-big-bear/preserve-our-natural-playground/

[17] For Alaska USA membership eligibility, *see* https://www.alaskausa.org/about/membership.asp. For Alaska USA consumer banking products, *see* https://www.alaskausa.org/share/; https://www.alaskausa.org/loans/; https://www.alaskausa.org/realestate/; and https://www.alaskausa.org/investment/. For Alaska USA business banking products, *see* https://www.alaskausa.org/business/loans.asp and https://www.alaskausa.org/business/accounts.asp#checking.

[18] The Federal Reserve, as demonstrated in its past orders and reaffirmed in the FAQs on the competitive effects of bank mergers and acquisitions, published in October 2014, will consider the competitive significance of, and weight at 50% the in-market deposits of, credit unions that (1) have broad membership eligibility (open to "all, or almost all," of the market population), (2) offer a range of consumer banking products, and (3) have branches that are easily accessible to the public, i.e., street-level branches.

[19] Assumes a pro rata allocation of Alaska USA's total deposits across each of its 67 branches, including its Big Bear Lake branch. Alaska USA branch and deposit data according to S&P Global.

[20] *See* Barbara J. Lipman and Ann Marie Wiersch, Browsing to Borrow: 'Mom & Pop' Small Business Perspectives

relating to the modernization of its Community Reinvestment Act regulations, "[b]anks now increasingly deliver financial products and services to consumers through online or mobile banking, which results in broader geographic reach for some banks, especially large banks."[21] Given the reach and scale of online deposit and lending options, a delineation of the Big Bear Lake banking market based solely on deposits in local branches overstates the competitive market shares of market participants with local branches and excludes relevant competitors.

Accordingly, a proper assessment of the banking realities of the Big Bear Lake market, with due consideration for where local customers can practicably turn for alternatives, demonstrates that the Proposed Transaction would not substantially lessen competition in the relevant Big Bear Lake banking market. Even delineating the relevant geographic market in which to assess the competitive effects of the Proposed Transaction as San Bernardino County—from which Big Bear Lake banking customers can practicably obtain deposit and loan products in light of the extensive commuting patterns into and out of Big Bear Lake (and which conservatively excludes online and digital banking channels as well as other significant geographic banking markets from which commuting patterns indicate that Big Bear Lake banking customers can practicably obtain banking alternatives, such as Los Angeles County and Orange County)—results in a pro forma market HHI of 1497 with an HHI increase of only 49, and a pro forma deposit market share of less than 10% (each under the Federal Reserve's baseline deposit weightings), which are well within "safe harbor" thresholds.

Although the Federal Reserve has not issued an approval order involving the competitive impacts on the Big Bear Lake banking market since 1992, other federal banking agencies have subsequently indicated that San Bernardino County is the appropriate relevant geographic market for assessing the competitive effects of transactions involving Big Bear Lake.[22] For example, in connection with an application by First Mountain Bank under the Bank Merger Act in 1997 for the acquisition of the Big Bear Lake branch of Bank of America, National Trust and Savings Association, the FDIC approved the application following a review of the competitive effects of the proposed transaction and indicated that it considered the relevant competitive market for the acquisition of the Big Bear Lake branch to be San Bernardino County.[23] The Federal Reserve also submitted a report on competitive factors in connection with this application by First

on Online Lenders at 3, Bd. of Governors of the Fed. Rsrv. Sys. (June 2018). The COVID-19 pandemic has only accelerated the use of digital banking and these practices are likely to continue well beyond the exigencies of the pandemic. For example, in April 2020, 72% of customers at the four largest U.S. banks used mobile banking apps. See Richard Burnett, Digital Banking Soars in the COVID-19 Pandemic, Wells Fargo Stories (May 27, 2020), https://stories.wf.com/digital-banking-soars-in-the-covid-19-pandemic/.

[21] Federal Reserve System: Community Reinvestment Act, Advance notice of proposed rulemaking; request for comment, 85 Fed. Reg. 64,415 (Oct. 19,2020).

[22] *See* Order Approving Merger of Bank Holding Companies, BankAmerica Corporation, 78 Fed. Res. Bull. 338 (May 1992).

[23] *See, e.g.*, FDIC Merger Decisions, *First Mountain Bank* (1997) ("In connection with the application, the Corporation has taken into consideration the competitive effects of the proposed transaction, which would result in a 5 point increase in the bank's Herfindahl-Hirschman Index for a postmerger level in the relevant geographic market of San Bernardino County based on deposit figures as of June 30, 1996) (emphasis added).

Mountain Bank.[24] In addition, in connection with a 2004 application under the Bank Merger Act for the merger of Jackson Federal Bank with and into Union Bank of California, N.A., the OCC approved the application following a review of the competitive effects of the proposed transaction and upon a finding that the proposed merger would not have a significant anticompetitive effect in the "relevant geographic markets," where an HHI screen of contemporary deposit market shares would have resulted in an HHI increase of 1209 and a resulting HHI of 4083 in the Big Bear Lake Federal Reserve banking market, but an HHI increase of only 4 and a resulting HHI of only 1066 in San Bernardino County.[25] A consideration of San Bernardino County as the relevant geographic market in which to assess the competitive effects of the Proposed Transaction would thus be consistent with such federal banking agency precedent.

Additional information regarding the San Bernardino county competitive market structure is provided in Public Exhibit 4.

Moreover, the limited competitive effect of the Proposed Transaction is demonstrated by small business lending activity in the Big Bear Lake market, which is significantly less concentrated than the deposit market.[26] The Federal Reserve has previously found that small business loan originations can indicate that the deposit HHI overstate a merger transaction's competitive effects within the broader cluster of banking products in a given market.[27]

In this case, the Proposed Transaction would result in small business loan origination HHI levels that are well within the 1800/200 "safe harbor" thresholds in the Big Bear Lake banking market, with an HHI increase of 91 and a resulting HHI total of 768, and a pro forma market share for the combined organization of 16.33%, in each case based on the dollar amount originated by all in-market and out-of-market institutions of loans between $100,000 and $1 million in size. As

[24] *See* Federal Reserve H2 Report, 1997, No. 24, *Actions of the Board, its Staff, and the Federal Reserve Banks; Applications and Reports Received During the Week Ending June 14, 1997* ("First Mountain Bank, Big Bear Lake, California, proposed merger with the Big Bear Lake branch of Bank of America, National Trust and Savings Association, San Francisco, California – report on competitive factors. – Submitted, June 11, 1997").

[25] OCC Corporate Decision 2004-15 (October 2004).

[26] Small business lending activity determined for San Bernardino county in accordance with the methodology described in note 8, *supra*. For CRA-reporting and non-reporting in-market institutions, CRA-reported originated loans and estimated loan originations, respectively, for San Bernardino county were allocated to the Big Bear Lake Federal Reserve banking market based on the percentage of the in-market institution's total domestic deposits reported in the Big Bear Lake Federal Reserve banking market relative to the institution's total domestic deposits reported in San Bernardino county. For CRA-reporting and non-reporting out-of-market institutions, CRA-reported originated loans and estimated loan originations, respectively, for San Bernardino county were allocated to the Big Bear Lake Federal Reserve banking market based on the percentage of the total domestic deposits (aggregated across all institutions) reported in the Big Bear Lake Federal Reserve banking market relative to total domestic deposits (aggregated across all institutions) reported in San Bernardino county. These data sources have limitations in that they exclude data from certain local competitors and other financial institutions (such as credit unions) and thus have the potential to overstate the competitive significance of large banks, such as the parties.

[27] *See, e.g.*, First Horizon National Corp., FRB Order 2020-01 (Jun. 15, 2020).

measured by number of originated small business loans between $100,000 and $1 million in size, the Proposed Transaction would result in an HHI increase of 7 and a resulting HHI total of 767.

Even when limiting the total dollar volume of small business loans originated by out-of-market institutions to a maximum of 50% of all small business loan originations in the banking market, the Proposed Transaction would still result in small business loan origination HHI levels that are well within the 1800/200 "safe harbor" thresholds in the Big Bear Lake banking market, with an HHI increase of 205 and a resulting HHI total of 1403, and a pro forma market share for the combined organization of 24.59%, in each case based on the dollar amount originated of loans between $100,000 and $1 million in size.[28] As measured by number of originated small business loans between $100,000 and $1 million in size with the number of small business loans originated by out-of-market institutions limited to a maximum of 50% of all small business loan originations in the banking market, the Proposed Transaction would result in an HHI increase of 237 and a resulting HHI total of 1425.

Importantly, credit unions do not report small business originations, thus the small business loan origination data referred to above likely overstates the parties' and competing banks' share of small business loans. Small business lending concentration would likely be lower if credit union lending were counted. Additional information regarding the Big Bear Lake small business lending competitive market structure is provided in Public Exhibit 6.

Accordingly, the Proposed Transaction will not have adverse competitive effects or result in decreased competition within the overlapping banking markets. In fact, the combined organization will be better equipped to be an effective competitor in this very competitive banking market.

B. Financial and Managerial Resources

The Applicant and Union Bank have ample financial and managerial resources to successfully consummate the Proposed Transaction and integrate Union Bank into the Applicant and U.S. Bank.

U.S. Bancorp, U.S. Bank and Union Bank each maintains a strong financial position. The regulatory capital ratios of each of U.S. Bancorp, U.S. Bank and Union Bank exceed the numeric criteria established by the Board (in the case of U.S. Bancorp) and the OCC (in the case of U.S. Bank and Union Bank) for classification as a "well capitalized" institution, and each has sound earnings and asset quality. The combined organization will continue to maintain this financial strength after consummation of the Proposed Transaction and, on a pro forma basis, the combined organization will continue to have regulatory capital ratios that exceed those required for "well capitalized" institutions.

The Proposed Transaction is expected to enhance the Applicant's financial position, as the combined organization will maintain the Applicant's strong capital and liquidity position but with

[28] *See* Onishi, Ken (2021). "Local Concentration in the Small Business Lending Market and Its Relationship to the Deposit Market," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, August 24, 2021, https://doi.org/10.17016/2380-7172.2972 ("On average, only about 50 percent of the loans are originated by in-market banks.")

a more diversified geographic footprint and product offering. The Proposed Transaction will also enable the Applicant to achieve higher earnings and profitability through cost savings and revenue-enhancing synergies, and the Applicant anticipates opportunities for revenue growth through customer product enhancements and a greater ability to deploy technology for client experience improvements. For pro forma financial and regulatory capital information for the combined organization reflecting the effects of the Proposed Transaction, please see <u>Confidential Exhibit 6</u>.

With regard to management resources, the senior management of U.S. Bancorp, U.S. Bank and Union Bank are highly experienced with a strong record of leading and operating significant financial institutions, and are well known to the Board. As discussed in Part III.D of this Preliminary Statement, the Applicant expects that the current members of both its and U.S. Bank's senior management will remain as officers of the combined organization following the Proposed Transaction. The officers of the Applicant and U.S. Bank, who will lead the management of the combined organization, are experienced and capable managers whose skills will contribute in a significant way to the financial and managerial strength of the combined organization following the consummation of the Proposed Transaction, and have deep familiarity with the Western U.S. banking markets in which Union Bank primarily operates. In addition, the members of the Applicant's board of directors possess the necessary qualifications to provide effective oversight of the Applicant's business and quality advice and counsel to the Applicant's management. The composition of the Applicant's board of directors will not change as a result of the Proposed Transaction. For background regarding the Applicant's current officers and directors who will continue to lead the combined organization, please see <u>Public Exhibit 7</u>.

Up until the technical conversion, both banks will continue to run their operations in parallel. While final decisions regarding the governance of Union Bank following the Acquisition but before the Bank Merger have not yet been made, the Applicant will conduct a thorough review of such proposed Union Bank governance structures and procedures to ensure that Union Bank prior to the Bank Merger will be led by experienced and capable managers and a board of directors that possesses the necessary qualifications to provide effective oversight of Union Bank's business, including with respect to oversight of remediation efforts relating to the Consent Order. During the short transition period until the Bank Merger is consummated, it is expected that the Applicant will leverage its enterprise-wide risk governance framework in the operation of Union Bank.

1. <u>Capital, Liquidity and Enhanced Prudential Standards</u>

Since January 1, 2020, the federal banking agencies' capital and liquidity rules classify all banking organizations with $100 billion or more in total consolidated assets into one of four categories (Category I, II, III or IV), based on the banking organization's asset size and risk profile, with the most stringent capital and liquidity requirements applicable to Category I firms and the least restrictive requirements applying to Category IV firms. The classification of any subsidiary bank of a bank holding company generally follows that of its parent bank holding company. Based on this regulatory framework, U.S. Bancorp and U.S. Bank currently qualify as Category III organizations, and MUFG Americas and Union Bank currently qualify as Category

IV organizations. Following completion of the Proposed Transaction, the combined organization will continue to qualify as a Category III organization.

As a Category III and Category IV firm, respectively, U.S. Bancorp and MUFG Americas are each subject to the Board's capital plan rule, capital stress testing requirements and CCAR process (while U.S. Bancorp and U.S. Bank, as Category III firms, are also subject to the Board's and OCC's company-run stress testing requirements, respectively). In June 2021, the Board released the results of its supervisory stress tests under the Board's hypothetical severely adverse scenario, which included a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets.

The Board projected that, in the severely adverse scenario, U.S. Bancorp's Common Equity Tier 1 ("CET1") capital ratio would decline from an actual 9.7% in the fourth quarter of 2020 by only 0.6% to its minimum of 9.1%, before rising back to 9.7% at the end of the first quarter of 2023. In addition, the Board projected that, in the severely adverse scenario, MUFG Americas' CET1 capital ratio would decline from an actual 15.3% in the fourth quarter of 2020 by only 3.4% to its minimum of 11.9%. Even under these hypothetical severely adverse conditions, the CET1 and other capital ratios of both U.S. Bancorp and MUFG Americas would remain well above the regulatory minimum levels, demonstrating the resiliency of each firm's balance sheet and its strong credit risk management practices.[29] Summary information relating to the supervisory stress test results of each of U.S. Bancorp and MUFG Americas is provided in Public Exhibit 8.

U.S. Bancorp and U.S. Bank also meet the Board's and OCC's minimum liquidity coverage ratio (the "LCR") requirements (and accordingly maintain an adequate level of cash and high-quality, unencumbered liquid assets to meet estimated liquidity needs in a short-term stress scenario, using prescribed liquidity inflow and outflow assumptions) as well as the recently implemented net stable funding ratio (the "NSFR") requirements (and accordingly maintain a stable maturity structure of assets and liabilities over a one-year time horizon). As Category III institutions with less than $75 billion in weighted short-term wholesale funding, U.S. Bancorp and U.S. Bank are subject to a reduced (85%) LCR and NSFR requirement. As a Category IV firm with less than $50 billion in weighted short-term wholesale funding, MUFG America and Union Bank are not subject to the LCR or NSFR requirements.

[29] The severely adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate ("CRE") and corporate debt markets. Under the severely adverse scenario, the U.S. unemployment rate climbs to a peak of 10.75% in the third quarter of 2022, a 4% increase relative to its fourth quarter 2020 level. Real GDP falls 4% from the end of the fourth quarter of 2020 to its trough in the third quarter of 2022. The decline in activity is accompanied by a lower headline consumer price index inflation rate, which quickly falls to an annual rate of about 1% in the second quarter of 2021, and stays at that level for another quarter before gradually rising to 2.25% by the end of the scenario period. In line with the sharp decline in real activity, the 3-month Treasury rate remains near zero throughout the scenario. The 10-year Treasury yield immediately falls to 0.25% during the first quarter of 2021 and stays there through the first quarter of 2022, after which it gradually rises, reaching 1.5% by the end of the scenario period. The result is a gradual steepening of the yield curve over much of the scenario period. Under this scenario, conditions in corporate and real estate lending markets deteriorate markedly, asset prices drop sharply (with equity prices falling 55% through the third quarter of 2021), house prices and CRE prices also experience large overall declines.

As of June 30, 2021, U.S. Bancorp had weighted short-term wholesale funding for these purposes of $38.03 billion and Union Bank had weighted short-term wholesale funding for these purposes of $10.27 billion (after giving effect to the Excluded Assets and Liabilities Transfer). Thus, consummation of the Proposed Transaction will not increase U.S. Bancorp's weighted short-term wholesale funding for purposes of its LCR and NSFR requirements to an extent that would result in U.S. Bancorp becoming subject to the full (100%) LCR and NSFR requirements. In this regard, U.S. Bancorp has substantial liquidity resources, including an average of $119.9 billion of high-quality liquid assets in the second quarter of 2021.

The combined organization, following consummation of the Proposed Transaction, will have approximately $664 billion in total consolidated assets, and therefore will remain under the $700 billion total-asset threshold for classification as a Category II firm. In addition, the combined organization would remain well under the $75 billion cross-jurisdictional activity threshold for classification as a Category II firm.[30] The Applicant further notes that in order to move into a new category of standards, the Board's enhanced prudential standards rules require that a banking organization report risk-based indicator levels above any applicable threshold for the more stringent category in each of the four preceding calendar quarters.[31]

Accordingly, consummation of the Proposed Transaction would not result in U.S. Bancorp immediately becoming subject to Category II standards, and U.S. Bancorp would not become subject to Category II standards prior to meeting the Category II thresholds for four consecutive calendar quarters.

2. Consent Order

On September 20, 2021, Union Bank entered into the Consent Order with the OCC related to deficiencies in Union Bank's technology and operational risk management. [32]

The Consent Order generally provides that the OCC finds that Union Bank is in noncompliance with the Interagency Guidelines Establishing Information Security Standards contained in Appendix B to 12 CFR Part 30 and engaged in unsafe and unsound practices regarding technology and operational risk management. Under the terms of the Consent Order, Union Bank neither admits nor denies the findings of the OCC.

The Consent Order requires that Union Bank submit to the OCC:

- written plans to improve reporting to Union Bank's Board of Directors and senior management on the Bank's technology and operations risk, to improve the technology risk assessment process, to timely and effectively implement Union Bank's information technology and operational risk governance frameworks and supporting programs, and to improve policies, procedures, processes, and internal

[30] Please see Confidential Exhibit 13 for information regarding the pro forma cross-jurisdictional claims and cross-jurisdictional liabilities of the combined organization.

[31] 84 FR 59230, 59248 (Nov. 1, 2019).

[32] A copy of the Consent Order is available at the following link: https://www.occ.gov/static/enforcement-actions/ea2021-037.pdf

controls within the Bank's technology and operations environments, commensurate with the level of risk and complexity of Union Bank's activities;

- an updated written Information Security Program and a plan to effectively implement it at Union Bank;

- and a written plan to improve data management and reporting practices to ensure accurate risk, regulatory and other reporting.

The Consent Order does not impose any civil money penalty or fines.

Union Bank's Board of Directors and management have expressed their commitment to taking the necessary actions to fully address the provisions of the Consent Order within the timeframes identified in the Consent Order. The Consent Order finds that Union Bank has already begun corrective action and has committed resources to remediate the deficiencies identified in the Consent Order.

The Applicant believes that it is uniquely positioned to support Union Bank in its remediation of its technology and operational risk management deficiencies that were identified in the Consent Order. The Applicant has devoted substantial resources and time to maintain and modernize its technology environments, including adhering to a rigorous technology life cycle currency process, reducing manual activities, and streamlining automation and digitalization to drive faster and more tailored customer outcomes.

The Applicant's continued information technology ("IT") investment has resulted in modern technologies, processes, and business cultures, to create a robust, continuously maturing technology framework and structure. The Applicant's scalable systems promote ease of use, reusable shared services, a unified data platform, and streamlined core systems, as well as back-end processing activities that support resiliency, protection, and security. In addition, the Applicant's commitment to IT investment has resulted in enhanced risk and control environments in multiple risk domains, including fraud detection and prevention, data governance and quality and consistency, reporting, physical security, and other areas strengthening the U.S. Bancorp technology and security profile. This comprehensive risk and control framework ensures proactive oversight of key and emerging technology-related risks in U.S. Bancorp's environment, with a demonstrated record of being able to self-identify most issues, and meeting or exceeding U.S. Bancorp's 97% service level attainment goal across over 400 technology service level measures.

U.S. Bancorp dedicates substantial attention to maintaining and refining its mature, interconnected control environments that emphasize strong information security, technology and operational risk management. The Applicant recognizes that its annual technology investments related to information security are of utmost importance. The Applicant's secure connections, firewalls, and encryption technologies preserve integrity and continuity of associated data and systems, and protect customer and bank activities. Similarly, the Applicant incorporates evolving and mature fraud prevention and detection mechanisms to minimize losses and protect valuable assets. The Applicant's comprehensive security program includes proactive monitoring and patching, and an active and continuous technology life cycle management program. The program also ensures ongoing compliance with NIST 800-53 controls for servicing U.S. government contracts, and the Applicant's program monitors and assesses compliance against multiple security standards published by the Payment Card Industry Security Standards Council. Additionally, U.S. Bank participates in several industry cybersecurity forums including the Financial Services Sector Coordinating Council, Information Sharing and Analysis Centers, cyber threat information providers, and peer institutions.

With respect to physical security, the Applicant uses comprehensive security structures to protect information and technology assets at data centers, operational centers, branches, and other locations. U.S. Bancorp currently runs two state of the art data centers in North America, with one being Tier 4 certified, and the other Tier 3+. As part of its modernization efforts, U.S. Bancorp is accelerating its move to the cloud to enable more flexibility, agility, and to simplify U.S. Bancorp's systems on a secure and reliable infrastructure.

As part of COVID response resiliency, the Applicant coordinated ongoing security requirements for internal and third party partners to protect information and streamline technological security of data, while maintaining continuity of key processes beyond its existing robust continuity and disaster recovery planning, exercise, and response protocols. The Applicant promotes cultural and control adherence for various compliance requirements and other risk frameworks. Regular training and awareness activities are mandated along with relevant compliance testing for internal, external, and other activities in accordance with applicable laws and regulations.

The Applicant's technology investments have also focused on enabling digital banking for its customers, modernizing its technology stack, creating a single source of data, engraining information technology security in all aspects of its business, and expanding upon its engineering culture which emphasizes cross-functional agile collaboration and upskilling opportunities (defined and self-guided learning courses). Key outcomes from these investments are evident in U.S. Bank's nearly 80% digitally active customer base (as of December 31, 2020), top-rated overall mobile banking platform, and first-place BitSight Security rating. As described above, U.S. Bank's top rated mobile application provides customers comprehensive access to their accounts, including the ability to shop and apply, manage and use accounts, move money through Bill Pay and Zelle, engage with U.S. Bank's virtual assistant, and receive personalized insights. Additionally, U.S. Bank's co-browse ability enables customers and phone bankers to view the same account information in real-time.

For additional information, please refer to Confidential Exhibit 7.

3. Risk Management

U.S. Bancorp

The Applicant will apply its risk management framework to the combined bank on consummation of the Proposed Transaction.[33] Managing risks is an essential part of successfully

[33] The Applicant expects to leverage its enterprise-wide risk governance framework in the operation of Union Bank during the short period following the Acquisition but before the Bank Merger has been consummated, consistent with the substantially similar risk profiles of U.S. Bank and Union Bank, on a combined basis, and U.S. Bancorp

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

U.S. Bancorp's Board of Directors oversees management's performance relative to the Risk Management Framework, Risk Appetite Statements, and other policy requirements. While management is responsible for defining the various risks facing the company, formulating risk management policies and procedures, and managing risk exposures on a day-to-day basis, the responsibility of the U.S. Bancorp Board is to oversee the company's risk management processes by informing itself about the company's material risks and evaluating whether management has reasonable risk management and control processes in place to address those material risks.

The Board's risk oversight responsibility is primarily carried out through its standing committees, as follows:

- *Risk Management Committee*: This committee has primary oversight of the operation of U.S. Bancorp's global risk management framework. It reviews and approves U.S. Bancorp's Risk Management Framework and Risk Appetite Statement, key risk management policies, and the charter of the Executive Risk Committee (discussed below). It also monitors the company's compliance with the Risk Management Framework and risk limits, and oversees the work of the company's risk management function. This committee also oversees the key risk areas of credit risk (including lending and credit policies and asset quality); financial risk (including interest rate risk, liquidity risk, capital risk and market risk), BSA/AML risk, Information Technology risk, and operational and compliance risk (including business continuity planning, information and cyber security, product and service delivery and third-party risk).

    - *Cybersecurity Subcommittee*: This subcommittee assists the Risk Management Committee in its oversight of cybersecurity and cyber resiliency.

- *Audit Committee*: This committee has primary oversight of risks arising from the company's financial reporting and internal controls processes.

- *Capital Planning Committee*: This committee has primary oversight of risks associated with the company's capital planning process and decision making.

following the Acquisition. *See* Appendix D to Part 30 – OCC Guidelines Establishing Heightened Standards for Certain Large Insured National Banks, Insured Federal Savings Associations, and Insured Federal Branches.

- *Compensation and Human Resources Committee*: This committee has primary oversight of risks arising from the company's incentive compensation plans and programs.

- *Public Responsibility Committee*: This committee has primary oversight of the company's reputational risk, as well as environmental and social matters.

The Risk Management, Audit, and Capital Planning Committees meet annually in joint session to give each committee the opportunity to review the risk areas primarily overseen by the other, and all Board members attend this meeting to benefit from the discussion. Finally, at each meeting of the full Board of Directors, each committee gives a detailed report of the matters it discussed and conclusions it reached during its recent meetings.

Each Board committee carries out its risk management responsibilities using reports from management containing information relevant to the risk areas under that committee's oversight. The committees must therefore be confident that an appropriate risk monitoring structure is in place at the management level in order to be provided accurate and useful informational reports. The management-level risk oversight structure is robust. U.S. Bancorp relies on comprehensive risk management processes to identify, aggregate and measure, manage, and monitor risks. This system enables the Board of Directors to establish a mutual understanding with management of the effectiveness of the company's risk management practices and capabilities, to review the company's risk exposure and to elevate certain key risks for discussion at the Board level. A framework exists to account for the introduction of emerging risks or any increase in risks routinely taken, which would either be largely controlled by the risk limits in place or identified through the frequent risk reporting that occurs throughout the company.

The U.S. Bancorp Board is very focused on the risks that cybersecurity threats pose to the company as a major financial services institution, and has established a comprehensive oversight framework to address those increasing risks. This framework includes a Cybersecurity Oversight Subcommittee of the Risk Management Committee, which was formed in January 2019 to provide dedicated oversight of U.S. Bancorp's program and practices for identifying cybersecurity risks; its controls to prevent, detect and respond to cyber-attacks, cyber incidents or information or data breaches; the company's cyber resiliency, including cybersecurity risk preparedness, incident response plans, and business continuity and disaster recovery capabilities; and its investments in cybersecurity infrastructure.

The Risk Management Committee receives regular reports from management on cybersecurity issues and maintains primary oversight of risks arising from the related areas of data privacy and information security. The annual joint session of the Risk Management, Audit, and Capital Planning Committees includes a report from U.S. Bancorp's Chief Information Security Officer on the cybersecurity threats facing the company and the company's preparedness to meet and respond to those threats. In addition, the full U.S. Bancorp Board typically holds an annual cybersecurity educational session, which features the perspective of an outside expert on a current cybersecurity topic, complemented by special presentations from the company's information security and risk management functions.

At the management level underlying board oversight, the Executive Risk Committee, which is chaired by U.S. Bancorp's Chief Risk Officer and which includes the CEO and other members of the executive management team, oversees execution against the Risk Management Framework and company-level Risk Appetite Statement. The Executive Risk Committee meets monthly, and more frequently when circumstances merit, to provide executive management oversight of the Risk Management Framework, assess appropriate levels of risk exposure and actions that may be required for identified risks to be adequately mitigated, promote effective management of all risk categories, and foster the establishment and maintenance of an effective risk culture. The Executive Risk Committee members manage large, sophisticated groups within the company that are dedicated to controlling and monitoring risk to the levels deemed appropriate by the Board of Directors and executive management. These individuals, together with the company's Controller, Treasurer and others, also provide the Board's committees with the information the committees need and request in order to carry out their oversight responsibilities.

The Executive Risk Committee focuses on current and emerging risks, including strategic and reputational risks, directing timely and comprehensive actions. The following senior operating committees have also been established to support the work of the Executive Risk Committee, each responsible for overseeing a specified category of risk:

- the Asset and Liability Management Committee ensures that the policies, guidelines and practices established to manage the company's funding and investment activities, interest rate risk, market risk, and liquidity risk are followed;

- the Capital Management Operating Committee provides oversight of U.S. Bancorp's programs related to stress testing, capital planning and capital adequacy, and resolution and recovery, as well as oversight of U.S. Bancorp's compliance with capital regulation;

- the Compliance Risk Management Committee provides direction regarding the management of compliance risk to the company's business lines and risk management programs and shares institutional knowledge regarding compliance risk management and mitigation across the company;

- the Disclosure Committee assists the CEO and the CFO in fulfilling their responsibilities for oversight of the accuracy and timeliness of the disclosures made by the company;

- the Enterprise Financial Crimes Compliance Operating Committee is responsible for the management and implementation of the company's enterprise financial crimes program across business lines to ensure a consistent control infrastructure and culture of compliance throughout the company;

- the Enterprise IT Governance Committee oversees the distributed enterprise information technology environment and ensures that delivery of the company's information technology services is aligned with the company's priorities and risk appetite;

- the Executive Credit Management Group Committee ensures that products that have credit risk are supported by sound credit practices; reviews asset quality, trends, portfolio performance statistics and loss forecasts; and reviews and adjusts credit policies accordingly;

- the Incentive Review Committee reviews and evaluates the company's incentive compensation programs and policies for risk sensitivity and mitigation;

- the Mergers and Acquisitions Committee is responsible for the consideration and approval of all mergers, acquisitions and divestitures by the company;

- the Operational Risk Committee provides direction and oversight of the company's operational risk management framework and corporate control programs, including cybersecurity and other significant operational risk events, and mitigation strategies;

- the Strategic Investment Committee is responsible for the company's organic investment activity, including capital expenditures, corporate real estate commitments and other multi-year contractual commitments;

- the Trust Management Committee provides oversight of the fiduciary activities of several of U.S. Bancorp's subsidiaries;

- the Conduct Risk Committee oversees risks resulting from employee behaviors or business practices that conflict with the company's values, cultural standards, policies or procedures, including ethics complaints, employee misconduct, internal fraud, and sales practices conduct; and

- the Reputation Risk Oversight Committee is dedicated to the oversight of risk associated with activities and issues that may negatively impact the reputation of the company.[34]

The U.S. Bancorp Board and management-level committees are supported by a "three lines of defense" model for establishing effective checks and balances. The first line of defense, primarily the revenue-generating business lines, manages risks in conformity with established limits and policy requirements. In turn, business leaders and their risk officers establish programs to ensure conformity with these limits and policy requirements. The second line of defense, primarily the Chief Risk Officer's organization, but also including the policy and oversight activities of corporate support functions, translates risk appetite and strategy into actionable risk limits and policies. The second line of defense monitors the first line of defense's compliance with limits and policies, and provides reporting and escalation of emerging risks and

[34] The Conduct Risk Committee and Reputation Risk Oversight Committee are planned to be merged into the Executive Risk Committee in 2022.

other concerns to senior management and the Risk Management Committee of the Board of Directors. The third line of defense, internal audit, is responsible for providing the Audit Committee and senior management with independent assessment and assurance regarding the effectiveness of the company's governance, risk management and control processes.

The COVID-19 pandemic has profoundly affected the Applicant's customers, its employees and the communities it serves. At the onset of the pandemic U.S. Bancorp activated its crisis management plans, which are tested annually under the oversight of the Board. The Board was highly engaged in overseeing management's pandemic response, and increased its communications and interactions with management as the crisis developed and as the company adjusted its operations to provide critical financial support, through both private and government programs, to its communities.

The Applicant's COVID-19 response efforts have been coordinated by a centralized command center, overseen by its chief risk officer. The command center brings together key teams to streamline efforts on employee and workplace health and safety, business continuity, communications, and mitigation of potential or actual business impacts. The Applicant also activated its business continuity plans, which have been effective in keeping employees safe while serving the needs of its customers, and has been reviewing emergency succession plans in place for key leadership roles.

The Applicant implemented plans across its various business activities to ensure continuity of critical processes, including those supporting its customers and employees. That included temporary changes to its branch operations based on guidance from local, state and federal officials. The Applicant continues to monitor directives from public officials and, based on their guidance, close or limit access to sites.

Union Bank

MUFG Americas similarly has robust risk management practices designed to manage the material risks that can affect its financial condition and performance. The MUFG Board of Directors, directly or through its appropriate committees, provides oversight and approves its various risk management policies, including risk appetite. Management has established a risk management structure that is designed to provide a comprehensive approach for identifying, measuring, monitoring, controlling and reporting on the significant risks faced by MUFG Americas.

With respect to Board-level risk management, the U.S. Risk Committee is broadly responsible for oversight of risk management, compliance with legal and regulatory requirements, and the credit, operational and other material risks to which MUFG Americas may be exposed. The U.S. Risk Committee is responsible for risk management oversight in a variety of key areas, and has the authority to direct corrective and remedial actions. The U.S. Risk Committee generally oversees MUFG Americas' risk management and the enterprise level risk appetite frameworks and establishes guidelines for reporting and escalating risk issues. The U.S. Risk Committee also provides oversight of management's practices over the following risk categories: credit, market, interest rate, liquidity, operational (including modeling and information), compliance (including financial crimes compliance), reputation and strategic risks.

The U.S. Risk Committee also reviews and assesses risks from the viewpoint of protecting the overall safety and soundness of MUFG Americas.

The Audit & Finance Committee of the MUFG Americas Board of Directors is responsible for oversight of liquidity and interest rate risk. The Audit & Finance Committee also oversees Internal Audit for the Americas and Americas Credit Review, both of which provide the Audit & Finance Committee with independent assessments of risk. The Human Capital Committee oversees MUFG Americas' compensation and risk review processes in line with competitive market practice and regulatory guidance associated with responsible risk management practices. The Human Capital Committee reviews the Human Capital Risk & Control Committee's risk assessment of MUFG Americas' annual incentive compensation plan to assure that it is consistent with its stated risk appetite and regulatory guidance.

With regard to management-level risk management, the Executive Committee for the Americas ("ECA") provides direction on major corporate policies including strategic, financial, risk management, infrastructure, regulatory and governance policies. The ECA has established and delegated authority to the Americas Risk Committee ("ARC") whose responsibilities include reviewing risk management policies and overseeing the risk management framework and all risks on an integrated basis. The ARC oversees areas of risk with and through its sub-committees, including but not limited to: Credit Risk Committee; Market Risk Management Committee; Liquidity Risk and Interest Rate Risk Committee; Compliance Risk Management Committee; Information Risk Committee; Americas Reputation Risk Committee; Operational Risk Management Committee; Model and EUCC Governance Committee; Data Management Committee; and Third-Party Risk Management Committee.

Appointed by the Board of Directors, the MUFG Chief Risk Officer of the Americas is responsible for managing the Americas Risk Management ("ARM"), function which consists of individuals with specialized knowledge to identify, measure, monitor, control and report on the significant risks faced by MUFG Americas and its subsidiaries.

The ARM function is responsible for maintaining risk-related policies, identifying company-level risks, monitoring emerging risks, and aggregating reporting for review by management, management committees and the Risk Committee of the MUFG Americas Board and the U.S. Risk Committees. The ARM function is expected to support management's execution of the strategic objectives and overarching goal of maintaining the safety and soundness of MUFG Americas and its compliance with U.S. laws, regulations and supervisory guidance.

4. Integration Planning

The Applicant is an experienced acquirer, having completed 13 bank and branch acquisitions since 2000, and will devote significant management resources to acquire Union Bank and integrate it seamlessly with the Applicant's operations and regulatory compliance infrastructure. The Applicant plans to operate a disciplined transition process, focused on deploying enterprise-wide processes and capabilities and managing risk at all stages. Through this process, the Applicant intends to conduct an efficient integration of Union Bank while being structured and diligent in its approach.

Specifically, the Applicant expects to coordinate its integration efforts through a centralized Transformation Management Office ("TMO"), which will support a number of integration and conversion team leaders from a variety of departments and functions involved throughout the process and organized across horizontal work streams and oversight capacities. The TMO will manage the scope, schedules and budget for the integration. Additionally, the TMO will coordinate activities across all work streams and facilitate all program communications and updates. Vertical integration teams and horizontal work streams will structure the technology conversion and business integration areas to support the delivery of the integration objectives throughout all aspects and phases of the integration program, as well as create clear accountability for meeting the integration objectives.

The teams involved in the integration efforts were also heavily involved in the due diligence efforts leading up to the announcement of the proposed transaction. Because of this significant overlap between due diligence and integration teams, there will be an immediate transfer of knowledge throughout the broader integration team allowing for a seamless transition between the two project phases. This knowledge and experience will be utilized to develop all of the target operating models for the combined company lines of business and work streams and identify the work stream projects that will be addressed in the integration process. For a description of the due diligence conducted by the Applicant, please see Confidential Exhibit 8.

Once the TMO structure and framework has been established, a number of "work streams" will be tasked with carrying out the integration effort. The business integration work stream includes (but is not limited to) consumer and business banking, commercial and corporate banking, mortgage lending & servicing; wealth management; payment services, technology & operations; credit; finance, accounting, tax & treasury; human resources; CRA and community matters; legal, regulatory, risk and compliance; information security; physical premises; marketing & communications; commercial agreements; and transition services. Centralized and coordinated integration activities leverage existing and continuing relationships between stakeholders, including risk frameworks and oversight accountabilities.

In addition to the business integration efforts focused on people, places, processes, policies and clients, the Applicant will also form a conversion team focused on systems, applications, and networks. Both teams work in concert with significant cross-over among team members. The teams will have a common and extremely disciplined approach to ensure preparedness. The conversion efforts will be managed by the most experienced IT project managers at the Applicant.

The U.S. Bank Acquisition and Integration process is designed to ensure experts remain engaged in identifying and resolving any issues identified during due diligence and any subsequent findings through the final conversion event. The U.S. Bank process begins with a thorough due diligence by technical and risk control experts to uncover issues and concerns in the target environment. For example, the U.S. Bank Technology and Operations Services Acquisitions Services Group oversees both technology due diligence and the technology and account conversion, with collaboration and oversight from associated Second Line of Defense risk stakeholders. The conversion planning process begins in due diligence and is summarized in due diligence findings. Risk teams provide further detail to Business Line and other stakeholders engaged in the transaction to provide initial considerations and requirements for potential integration that address identified due diligence key risks.

Following announcement of the Proposed Transaction, the conversion team engaged with relevant vendors to coordinate potential conversion dates (currently expected to occur in the second half of 2022, although the conversion dates are not yet final). In coordination with MUFG Americas, U.S. Bank will conduct detailed technical discovery; product, application, and data mapping; and conversion approach planning. Findings and approach plans are peer reviewed to ensure consistent overall approach across the enterprise in accordance with existing U.S. Bank frameworks and requirements. Detailed plans are developed, funding allocated, solutions engineered, and components built, with careful attention to provide further assurance that appropriate resources and investment are available to drive requisite staffing and processes that will achieve integration success against management-approved conversion approach. Each step follows U.S. Bank's normal process for solution development. Rigorous testing is conducted at each step. Prior to any conversion event conversion procedures are certified and a readiness assessment conducted.

Up until the technical conversion, both banks will continue to run their operations in parallel. Testing and readiness for the technical conversion culminates through a mock-conversion weekend prior to live conversion. The mock conversion mirrors all aspects of the integration and conversion event to confirm that the models, procedures, and the technical conversion itself deliver the expected results within the conversion window. Go/No-Go meetings, data validation, lessons learned and other integration review mechanisms will be practiced during the mock conversion to confirm a high level of readiness. The Applicant's preparations for integration will have no impact on Union Bank's systems or ongoing operations prior to the approval of the Proposed Transaction.

Through these detailed efforts, the Applicant will operate with the guiding principles of preserving or enhancing customer and team member experience and uniting organizational cultures and team member values to protect and leverage the employee talent of both organizations. Each of these principles will be at the forefront of decision-making not only for the banks' respective leadership, but also the TMO and supporting work streams. This will enable the end goal of creating a combined bank representing a unified organization to customers. Retaining, integrating and leveraging employee talent will be a key priority of integration efforts. The joint efforts of the HR and Communications work streams will work with customers and the employees throughout the integration process to address customer needs and concerns, and support talent retention and clearly communicate strategic team priorities. This customer and team-centric approach to integration efforts will provide a seamless transition for customers and employees to their new relationship with the combined organization, while minimizing disruption to customers and clients, service delivery and bank operations.

While the Applicant anticipates maintaining its policies and procedures following consummation of the Proposed Transaction (including existing risk management policies and procedures), the Applicant will continue to review its policies and procedures throughout the transition to ensure that adjustments are made, as necessary, to account for the acquired business. For additional information regarding integration planning, please see Confidential Exhibit 9.

5. Transitional Services Agreements

MUFG Bank Ltd. and Union Bank, and with respect to certain obligations, U.S. Bancorp, will enter into a transitional services agreement (the "Transitional Services Agreement"), pursuant to which MUFG Bank Ltd. will provide certain transitional services to Union Bank, and a reverse transitional services agreement (the "Reverse Transitional Services Agreement"), pursuant to which Union Bank will provide certain transitional services to MUFG Bank Ltd., to help ensure that their respective business operations will continue to operate without disruption after the closing of the Proposed Transaction.

The transitional services provided by MUFG Bank Ltd. to Union Bank (and, following the Bank Merger, U.S. Bank) under the Transitional Services Agreement—as well as the transitional services provided by Union Bank to MUFG Bank Ltd. (including the operations retained by MUFG Bank Ltd. pursuant to the Excluded Assets and Liabilities Transfer) under the Reverse Transitional Services Agreement—will continue until the termination date(s) specified in the Transitional Services Agreement and Reverse Transitional Services Agreement, as applicable, with respect to each applicable service (subject to certain early termination events and extension rights). Such services will be determined by the parties prior to the closing of the Proposed Transaction in accordance with agreed upon principles, which services may be supplemented from time to time with additional services during the term of the Transitional Services Agreement and Reverse Transitional Services Agreement, as applicable.

Representatives of MUFG Bank Ltd. and Union Bank will be responsible for, among other things, overseeing the provisions of the Transitional Services Agreement and the Reverse Transitional Services Agreement and monitoring the performance of services contemplated under those agreements.

A form of the Transitional Services Agreement is provided as Confidential Exhibit 10, and a form of the Reverse Transitional Services Agreement is provided as Confidential Exhibit 11.

6. Commitment to Diversity and Inclusion

U.S. Bancorp

The Applicant is continually working to make the bank more inclusive by hiring, retaining and promoting diverse talent. Led by Human Resources and the Diversity, Equity and Inclusion office, and implemented by U.S. Bancorp's leadership team across the company, U.S. Bancorp's efforts to increase workforce diversity focus on attracting, engaging, retaining and developing diverse talent. Beyond meeting mandates of Equal Employment and Affirmative Action laws, U.S. Bancorp believes in the power of diversity. Therefore, U.S. Bancorp does all it can to foster an inclusive environment that allows employees to demonstrate their unique talents and contribute in ways that differentiate U.S. Bancorp, pushing the bank forward with innovative, thoughtful solutions for its customers and communities. U.S. Bancorp is committed to creating and sustaining an inclusive workforce that drives business growth and propels accountability for diversity and inclusion at all levels of the organization.

U.S. Bancorp has developed several important recruitment strategies to increase the representation of women at leadership levels and people of color at all levels, which include:

- Ensuring equitable hiring practices, broadly communicating job openings and building and interviewing candidate slates inclusive of all qualified talent. U.S. Bancorp requires for all job openings diverse candidate slates that include at least one woman and/or person of color when hiring for all roles at all levels of the organization;

- Partnering with educational institutions and student organizations that serve diverse populations. This includes participating in career fairs and education initiatives and creating internship opportunities, with a special focus on historically Black colleges and universities ("HBCUs") and localized community internship programs;

- Participating in conferences, workshops and other events hosted by multicultural professional organizations or those that would otherwise attract diverse populations;

- Increasing participation in, and partnerships with, internal employee Business Resource Groups as well as community outreach programs; and

- Providing U.S. Bancorp recruiters and leaders with education, resources and tools to support diverse, inclusive and equitable hiring practices. In 2020, U.S. Bancorp launched a new inclusive hiring initiative that includes training designed for its in-house recruiters focused on diverse sourcing methods, behavioral-based interviewing and unconscious bias training.

U.S. Bancorp also has focused recruiting efforts for military personnel. U.S. Bancorp recognizes the unique experiences and skills its military colleagues bring to the private sector, and actively engages and recruits in this segment.

U.S. Bancorp also recognizes the need to develop and retain diverse talent. This is an important component of U.S. Bancorp's efforts to increase diversity in management and leadership positions. U.S. Bancorp understands that to increase the representation of women at leadership levels and people of color at all levels, it is critical that U.S. Bancorp creates a culture where all employees are valued, empowered and given equitable access to build and advance their careers. U.S. Bancorp strives to create an inclusive environment where all employees feel empowered to speak up, offer new ideas, respectfully challenge each other and the status quo and be part of the organization's success.

U.S. Bancorp has a three-dimensional approach to advancing diverse leadership. First, U.S. Bancorp has a system in place that aims to eliminate bias and barriers that prevent women and people of color from having equal access to opportunity. Second, U.S. Bancorp has baseline expectations for its leaders that include creating an inclusive environment as well as core behaviors designed to encourage inclusive leadership. Leaders are evaluated on these expectations during performance reviews. Third, U.S. Bancorp has customized education and learning plans/programs to help women and people of color build on their existing talents and learn new skills and capabilities.

Programs in place to retain and advance U.S. Bancorp's future leaders include:

- A new managing committee sponsorship program specifically designed to strengthen and diversify its executive leadership pipeline. The Managing Committee Sponsorship Program pairs executives with women leaders, Black leaders and Hispanic leaders to increase visibility and accelerate their advancement;

- Leadership development cohorts for women, Black and Hispanic employees, designed to advance more individuals in those segments to higher levels of U.S. Bancorp;

- A global Inclusive Leader Program to help senior leaders drive performance through inclusive behavior best practices. This effort has reached more than 2,000 leaders since its launch in 2019. U.S. Bancorp's goal is to reach all senior leaders in 2021;

- A program with the McKinsey Black Leadership Academy involving nearly 150 leaders enrolled in two programs designed to enhance leadership capabilities and skills based on the needs of the organization and U.S. Bancorp employees. This program has been expanded to also include people of Hispanic and Asian descent;

- A long-standing mentoring program available to all employees. Through the MentorConnect program, mentors and mentees come together to build an understanding of the business and build strong connections across the organization; and

- An industry-leading 10 Business Resource Groups, which provide multiple avenues for employees to come together to discuss topics of interest to them, develop professional skills and engage in community-based volunteering. Each organization is sponsored by a member of U.S. Bancorp's managing committee and supported by the company with a budget to enable activities and programs that support employee advancement and development. Almost one-third of U.S. Bancorp employees participate in one or more Business Resource Groups.

To ensure diverse employees are fairly compensated, U.S. Bancorp has processes in place to address any gender and racial pay inequities within its workforce. This work starts with fair hiring practices: U.S. Bancorp has robust guidelines in place for both internal and external job postings to ensure it makes fair compensation decisions based on the demands and value of the role, candidate experience, and pay related to comparable internal positions. U.S. Bancorp also conducts periodic exams of its employees' pay levels across gender and racial categories, with the assistance of a third-party consultant. When gender- or race-based disparities in pay are identified, U.S. Bancorp adjusts to eliminate those disparities.

U.S. Bancorp believes transparency around its data and active benchmarking is critical to continued progress, and to that end it supports the release of transparent DEI data to measure the progress being made in the financial services industry. U.S. Bancorp has voluntarily submitted this information annually to the Office of Minority and Women Inclusion ("OMWI") within its respective federal regulatory agencies, starting with 2016 data submitted in 2017 (a unique practice in U.S. Bancorp's peer group). U.S. Bancorp also benchmarks against other firms and industry metrics to monitor and review representation across Equal Employment Opportunity ("EEO") categories.

One way U.S. Bancorp monitors its progress in advancing women and people of color to senior roles is to review its data in the highest EEO employee levels: Executive/Senior Level officials and managers, and First/Mid-level officials and managers. Since 2016, U.S. Bancorp has increased the percentage of people of color at the top EEO employment level from 8% to 13% and at the second highest level from 21% to 23%. The percentage of women at the highest level has grown from 29% in 2016 to 32% in 2020.

To ensure accountability, U.S. Bancorp's CEO holds a quarterly DEI meeting and, in 2020, U.S. Bancorp elevated the role of chief diversity officer to report directly to the CEO and join U.S. Bancorp's managing committee. DEI work is reported to the Public Responsibility Committee of the Board on a semiannual basis. U.S. Bancorp also holds its business line leaders accountable for visible and measurable outcomes in their areas. Progress scorecards are produced quarterly at the enterprise and line-of-business level. To help maintain focus on these efforts throughout U.S. Bancorp, the bank has created DEI "Champions" for each business line. The Champions are appointed by the applicable managing committee member for the business line, and are responsible for developing action plans that further operationalize DEI into everyday business actions. The goal is to ensure that DEI accountability and management is consistent across the organization, not just within the DEI team. Twice a year, the Champions, the chief diversity officer and the applicable managing committee member meet to discuss progress against goals and strategic opportunities for further enhancement of results.

Union Bank

At Union Bank, inclusion is a value marked by an appreciation of the contributions of every employee. Union Bank's inclusive culture is combined with a commitment to building a diverse workforce. Union Bank welcomes the unique perspectives of individuals with varying cultural backgrounds and life experiences—each bringing new ideas and innovation, each fueling the bank's transformation in a shifting industry.

Union Bank's strategy of inclusion and diversity ("I&D") focuses on hiring, developing, recognizing, and rewarding talent at every level, which embeds inclusion into the fabric of Union Bank's business. This strategy begins at the top with inclusive leadership, extends to relationships with diverse communities through I&D education and awareness, and ultimately impacts Union Bank's clients by enabling Union Bank to respond to their changing needs, enhance business opportunities, and achieve transformational growth.

Union Bank has also built a strong foundation of teams that partner with colleagues across the business to enable and inspire greater inclusion and diversity:

- *Executive Inclusion and Diversity Council ("EIDC")*: Union Bank's EIDC is chaired by MUFG Americas' Chief Executive Officer and Chief Human Resources Officer with senior representatives from various business units. This group steers the direction of Union Bank's inclusion and diversity strategy.

- *Business Unit Inclusion and Diversity Councils ("BUIDC")*: BUIDCs work to establish business-specific goals that link to the overall I&D initiatives. They educate line-of-business employees, enable collaboration among peers across MUFG in the Americas to share best practices and resources, and plan initiatives in support of the I&D strategy.

- *Diversity Recruiting Team*: Union Bank's Diversity Recruiting Team collaborates and partners with colleagues across the bank to attract the best talent across all dimensions of diversity, to build a stronger performing organization and to ensure the bank's workforce mirrors the clients it serves.

- *Enterprise Resource Groups ("ERGs")*: Union Bank's ERGs bring together people with similar interests, focusing on race, generation, veteran status, gender, and sexual orientation. They give voice to important issues, assuring that diverse viewpoints are heard and considered in decisions that affect the bank's colleagues, customers, and communities. ERGs encourage Union Bank's entire organization to embrace inclusive behavior and diverse perspectives and build momentum for its values and vision. ERGs provide a valuable service to Union Bank's organization and clients by promoting personal and professional development through networking and mentorship; building community connection; bringing recognition to multiple dimensions of diversity; and assisting with recruitment and promotional advancement.

Moreover, Union Bank's commitment to inclusion and diversity among colleagues, clients, service providers, and its community includes the following actions:

- Instituted a process to ensure that each business unit has a plan to focus on its workforce, workplace, and marketplace, including ownership by the business unit leaders;

- Dedicated resources and funds to philanthropic causes in its communities; and

- Introduced inclusion & diversity training and learning experiences to all employees, with special sessions designed for executives, managers and hiring managers.

C. Convenience and Needs of the Community

U.S. Bancorp (including through U.S. Bank) and Union Bank each serve the needs of their communities through their respective branch networks and other channels, and the Proposed Transaction will bring substantial benefits to the customers and communities currently served. U.S. Bancorp and Union Bank believe that the Proposed Transaction will meet the convenience and needs of the community by providing customers of both banks an expanded branch and ATM network, as well as access to a wider variety of banking products and services. In addition, the greater capital resources of the combined organization will enable the combined organization's branches and operations to provide expanded banking services to customers and the community on a safe and sound basis, and the much greater scale of the combined organization will allow it to invest in technology to provide a differentiated customer experience.

Both U.S. Bancorp and Union Bank offer a large number of banking services and products, and each product may have a number of features. Deposit products of the two banks reflect varying combinations of interest rates, service charges, minimum balances and funds availability. Loan products also involve different features. U.S. Bancorp is in the process of evaluating the loan and deposit products and services offered by U.S. Bancorp and Union Bank to determine the differences between the two and what, if any, adjustments will be made. No final decisions have been made but, in any event, the Applicant does not expect any material discontinuations in the categories of offered products or services or material increases in customer fees resulting from the Proposed Transaction.

Based on the parties' initial assessment, the business and core competencies of U.S. Bancorp and Union Bank are highly complementary. For example, U.S. Bank offers the scale, product breadth and technology to penetrate consumer and business banking markets through its mobile banking, data and analytics, digital mortgage, retail cards, auto finance and installment loans, complementing Union Bank's large and loyal client base of approximately one million consumer accounts. U.S. Bank's capabilities in integrated payment services (including merchant acquiring, business-to-business and real-time payments, omni-commerce, commercial cards and fleet payments) will greatly benefit Union Bank's approximately 190,000 business banking clients. U.S. Bank's dedicated wealth management offerings (including financial planning, private banking, trust and estate, investment management and brokerage services) will serve Union Bank's loyal base of over 50,000 high net worth and affluent households. Finally, U.S. Bank's corporate and commercial banking and corporate payments capabilities will strengthen the approximately 700 commercial relationships of Union Bank. In addition, customers of both banks will have access to the combined organization's expanded commercial loan capacity, as well as its larger capital base that will support greater commercial and community development lending and investment capacity. Furthermore, customers of both banks will be well served by the compatibility of Union Bank's and U.S. Bancorp's shared customer-focused operating philosophies and strong commitment to local communities.

Geographically, the Proposed Transaction would significantly enlarge and diversify the footprint of both banks, which will enable the combined organization to compete for top talent across the combined organization's footprint and allow both banks' current customers to enjoy an expanded network of branches and ATMs.

Further, the combined organization will remain committed to providing convenient access to banking products and services to its communities, including to underbanked communities. Both U.S. Bancorp and Union Bank offer banking hours and services that do not vary in a way that inconveniences any portions of their assessment areas, which will continue following the Proposed Transaction.

U.S. Bancorp and Union Bank also offer alternative systems for delivering retail banking services to enhance the convenience of such services to their respective communities. Union Bank, for example, offers ATMs, online and mobile banking (including mobile bill pay and mobile check deposits), for which the OCC has found strong usage among Union Bank's LMI communities. U.S. Bancorp operates an extensive ATM network, online banking, interactive voice response, call center and mobile banking options to augment services offered at physical brick and mortar branch locations. The combined organization plans to offer these alternative delivery systems and products in both banks' market areas following the closing of the Proposed Transaction.

Importantly, and as discussed in detail below, U.S. Bancorp and Union Bank are both strong corporate citizens, with well-established reputations for serving all segments of their communities, including by prioritizing affordable and inclusive financial access, promoting diversity and inclusion, addressing systemic racism and fostering the economic empowerment of disadvantaged communities, and supporting sustainable practices and environmental stewardship. The cultural synergies from the Proposed Transaction and the value that both banks place on corporate citizenship and social and environmental goals will promote the convenience and needs of the communities each bank serves as well as the broader U.S. society.

1. Financial Education and Well-Being Offerings

U.S. Bancorp

To help build confidence in managing finances, U.S. Bancorp (through U.S. Bank) takes a holistic approach to financial education, meeting customers when and where it is most convenient for them. U.S. Bank provides financial education opportunities, resources and tools, and individualized support through its online programs, mobile app, in-person and virtual workshops, and seminars, as detailed below.

To reach its customers and communities, U.S. Bank's consumer financial educational resources focus on key consumer needs across all stages of life. U.S. Bank uses its platform, including marketing, its mobile app, online banking, branches, ATMs and bankers, to help raise awareness of the resources available. U.S. Bank also participates in industry-wide engagement campaigns such as financial literacy month and cyber awareness month, and drives engagement during key cultural heritage moments such as Lunar New Year, Hispanic Heritage Month and Veterans Day. U.S. Bank offers materials in languages including Spanish and Chinese, and drives awareness of its financial education offerings through focused outreach to priority groups, including to those identifying as Female, Black, Asian, Hispanic and LGBTQ+. Financial education and well-being resources, tools and programs offered by U.S. Bank include:

- *Financial IQ Platform*: Online financial education resource hub, which provides helpful knowledge, tools and inspiration for all consumers and business owners. It offers strategies, inspiration and thought leadership with financial education and financial literacy resources from U.S. Bank. Offered in both English and Spanish, there were 2.7 million page views on Financial IQ and reached 1.75 million unique visitors in 2020.

- *U.S. Bank Mobile App*: App delivers real-time, personalized insights and tips to help customers with savings and expense management. Budgeting, spending and debt management tools are personalized to user spending habits, as well as automatic saving and transfer tools to help customers achieve their goals. Through 2020, U.S. Bank provided more than 1.6 billion financial insights to U.S. Bank Mobile App users.

- *Financial Health Assessments*: Tool for customers to gauge what stage they are at in their financial wellness journey. Financial health is a composite measurement of a person's financial life. Unlike narrow metrics like credit scores, financial health assesses whether people are spending, saving, borrowing and planning in a way that will enable them to be resilient and pursue opportunities over time.

- *TransUnion VantageScore 3.0 Free Credit Check*: Resource that gives customers the ability to access their credit score for free at anytime and anywhere through the U.S. Bank Mobile App. Customers can use the score simulator, review their progress and access credit education.

- *SMART Financial Habits Program*: Aims to raise awareness, educate consumers on the importance of engaging with their financial health and well-being, and support healthy habit creation. SMART is an acronym with easy-to-remember steps to Save for a rainy day, Manage your budget, Access your credit score, Reduce your debt, and Track your online security. During 2020, more than 30,000 consumers engaged with the program.

- *Financial Foundations Seminars*: Offered in branches, local communities and schools, covering topics ranging from personal finance basics to mortgage lending while also serving small businesses. U.S. Bank completed over 120 seminars during 2020, both in-branch and virtually.

- *Financial Wellness Webinars*: Provide tips for setting goals, building smart financial habits, fraud prevention and more. During 2020, U.S. Bank had more than 2,000 participants who attended virtually, and nearly 3,500 viewed recordings. Webinar topics for 2021 include mindful spending, saving vs. investing, credit wellness, saving by generation, gig economy, elder fraud, homeownership, financial habits, retirement, college prep, job planning and a holiday financial survival guide.

- *Student Scholarship Program*: Online learning modules for students on topics ranging from credit scores to savings to financing higher education. During 2020, more than 275,000 learning modules were completed. 58% of student learners who identified their race/ethnic background were people of color. In 2020, 99% of students surveyed said they felt more confident in managing personal finances. After completing modules, 95% of students said they plan on following a budget to guide them in spending and savings decisions.

- *Goals Coaches*: Piloted in its Las Vegas market, U.S. Bank employees trained in behavioral science and human achievement offer free coaching sessions to explore customers' goals, provide a life timeline map, and develop action plans to work toward goal achievement. Coaches deliver webinars on the topics of starting a career, avoiding budgeting mistakes, training the brain for smart financial habits, and saving for a rainy day. U.S. Bank has financial education sessions specifically for veterans and active-duty service members taught by a 20-year Air Force veteran.

- *Financial Wellness Coach Programs*: During 2020, U.S. Bank launched Financial Wellness Coach programs in Aurora, Colorado, and in the Pullman neighborhood of Chicago in partnership with Operation HOPE, a nonprofit organization with a mission to disrupt poverty and empower inclusion for low- and moderate-income youth and adults. The goal of the program is to increase credit scores, savings and confidence, with an emphasis on serving people of color and underbanked individuals.

- *Junior Achievement*: U.S. Bank's partnership with Junior Achievement allows employees to conduct financial education seminars in schools. U.S. Bank supports Junior Achievement Finance Park, which is an opportunity for middle and high school students to learn about personal money management skills and develop personal finance knowledge.

- *SCORE*: U.S. Bank employees actively volunteer at sites that offer one-to-one services such as SCORE – Service Corps of Retired Executives, which offers free counseling to business owners and entrepreneurs.

- *EITC-VITA*: U.S. Bank employees volunteer at Earned Income Tax Credit–Volunteer Income Tax Assistance ("EITC-VITA") sites, which are programs designed to support low-income workers with filing federal tax returns.

U.S. Bank is committed to providing ready access to its products and services so all of its customers, including people with disabilities, can succeed financially. U.S. Bank offers a strong commitment to provide a welcoming environment, as well as assistance for individuals with hearing, speech or vision impairments; audio-assisted ATMs in convenient, accessible locations; an optimized web experience for bank account transactions that makes online and mobile banking easy for all of our customers to use; a commitment to make online and mobile banking easy for all of our customers to use; and a dedicated corporate-wide Accessibility Banking Program that helps ensure that its commitments to accessibility are realized. U.S. Bank also offers webinars with captioning and transcripts for attendees who are hearing impaired.

Union Bank

Union Bank understands that change takes more than monetary donations. As part of its commitment to strengthen underserved communities, Union Bank promotes financial education and college readiness through student-run bank branches. Each year, students from five different high schools are selected for a year-long internship to work in a bank branch located inside their high school campus.

As student bankers, they acquire and practice customer service skills and educate their classmates, teachers, faculty and community about the basics of personal finance. Student interns serve as "bankers" and acquire skills in an immersive learning environment. All student-run branches are located at Title 1 schools, schools where at least 40% of the student population come from low-to-moderate income families.

Each branch is run by 10-12 high school seniors, supported by a branch manager and a branch service officer. Program participants receive classroom credit and the curriculum has been approved as an accredited A-G certified class. Branches impart financial education to students, parents, and community members.

2. Inclusive Products and Services for Consumers

U.S. Bancorp

In addition to providing convenient access to financial education, U.S. Bancorp's financial inclusion strategy (through U.S. Bank) seeks to provide individuals with access to useful and affordable financial products and services that meet their needs, delivered in a responsible and sustainable way. For example, the U.S. Bank Simple Loan is a quick and convenient way for U.S. Bank checking customers to borrow up to $1,000 to take care of unexpected or short-term cash needs. Introduced in 2018, the Simple Loan features an entirely digital experience from application to underwriting, with dollars being available to customers in their checking account within minutes. Customers may be eligible to borrow $100 to $1,000 with a simple pricing structure and no hidden fees. The average loan amount is $468. Key features of the Simple Loan product include:

- Simple pricing with no late fees or prepayment fees
- Loan funds deposited directly into the borrower's U.S. Bank consumer checking account
- Three equal monthly payments to repay the loan
- Auto payment will not process if it would cause a negative checking account balance, avoiding overdraft fees

U.S. Bank is proud to have provided more than 62,000 loans and estimate that its customers have saved approximately $19 million of their hard-earned money with a Simple Loan versus relying on other alternatives like a traditional payday loan.

In addition, U.S. Bank offers the U.S. Bank Safe Debit product, a full-service "checkless checking" account that gives consumers robust banking services without overdraft fee risk. The U.S. Bank Safe Debit product meets the Bank On National Account Standards, which establish standards for safe, affordable, and appropriate accounts that meet the needs of consumers with low incomes, particularly those outside of the financial mainstream. The product comes with several tools to provide control and drive financial stability. Account holders receive alerts of low balances and completed transactions, and fraud protection detects and notifies customers of any unusual card activity to help prevent fraud. Personalized insights, budgeting tools, credit information and resources are available along with savings accelerators such as micro-savings and card-based and automatic transfers. Key features of the Safe Debit product include:

- A U.S. Bank Debit Card, including ability to load into a mobile wallet
- No overdraft or insufficient funds fees
- Access to online and mobile banking services
- Minimum opening deposit of $25 and monthly fee of $4.95

U.S. Bank has seen an increasing number of these Safe Debit accounts opened each year since the product launched in 2016, including a record number in 2020.

Further, U.S. Bank offers the U.S. Bank Secured Visa Card, a credit card that allows customers who may not otherwise qualify for a credit card to build or rebuild their credit. The U.S. Bank Secured Card provides qualifying consumers with a credit line equal to their deposit of $300–$5,000, in $100 increments. The deposit is used to open a U.S. Bank secured savings account to ensure the card balance can be paid. The savings account is FDIC-insured and earns interest. Average credit lines are between $500 and $600. Key features of the Secured Visa Card product include:

- Holder can choose payment due date
- Zero fraud liability – holders are not responsible for unauthorized transactions if their U.S. Bank Secured Card is ever lost or stolen
- No annual fee for new accounts

As of December 2020, there were 92,000 U.S. Bank Secured Visa Card accounts open. Of those, 24% met the criteria for an upgrade to an unsecured credit card.

U.S. Bank introduced the American Dream Home Loan program in the 1990s to provide a solid product that helps consumers with limited resources become homeowners. Individuals and households buying in low- and moderate-income neighborhoods often have a hard time saving enough money for the traditional mortgage down payment amount. In addition, these buyers often find that homes in their price range need repairs before they can be occupied. The American Dream Home Loan program can allow low- and moderate-income borrowers, first-time homebuyers and others requiring additional financing options to achieve their goal of sustainable homeownership. Key features of the American Dream Home Loan program include:

- Low down payment
- Assistance toward the down payment or closing costs

- Rehabilitation loan options where applicable

From 2009 through 2020, more than 13,900 households used the American Dream Home Loan program to realize their dream of homeownership, helping to revitalize communities across the U.S. Bank footprint.

U.S. Bank also works to become trusted business partners and help its small business customers achieve their business and personal goals, pursuing this mission through the small business core strategic pillars of leveraging data and analytics to better inform its customers and bankers; simplifying access to solutions; rethinking engagement on the customer's terms; integrating internal and external solutions; and anticipating the business customer's needs.

U.S. Bank engages its small business customers by providing them convenient access to financial services and resources geared to meet their needs. Through U.S. Bank's digital and mobile tools, customers can manage their finances, learn new skills and apply for new solutions. For loan amounts as low as $5,000, digital business applications may be approved and funded in minutes with no origination fee. Business checking accounts can also be opened online, with no monthly maintenance fee and 125 free transactions per month. U.S. Bank's website contains advice on how small business owners can manage their business, plan for growth, improve their operations and invest. U.S. Bank's extensive network of branches and ATMs is available to serve its small business customers where they are, and U.S. Bank offers dedicated business bankers in 26 states who understand the needs of small business owners and offer tailored solutions.

As an SBA preferred lender, U.S. Bank's business loan program offers a streamlined loan process to assist small businesses. U.S. Bank facilitated approximately $1.9 billion in SBA loans in 2020 and, for SBA's fiscal year ending September 30, 2020, U.S. Bank ranked as the second most active SBA lender nationally in number of loans made, and ranked ninth nationally in terms of dollar amounts loaned. U.S. Bank assists businesses at all stages through the SBA program, including those that have been in operation for less than two years, and customizes SBA loans based on the unique needs of the business owner.

U.S. Bank recognizes the critical role that Community Development Financial Institutions ("<u>CDFIs</u>") play in bringing investment to underserved communities and those who may not be eligible for traditional business financing, and values their focus on women- and minority-owned businesses and low- to moderate-income communities. U.S. Bank has a long history of support for CDFIs, providing them with more than $450 million in capital through 2020. U.S. Bank recently increased its commitment to Black-led CDFIs in particular, acknowledging that Black-led and historically Black organizations have a deeper understanding of the structural barriers and resources gaps that exist within Black communities and how to solve those gaps. In 2020 , the U.S. Bank Community Development Corporation ("<u>USBCDC</u>"), the tax credit and community investment subsidiary of U.S. Bank, facilitated $50 million in capital to seven CDFI customers, helping them provide loans through the SBA Paycheck Protection Program in response to the COVID-19 pandemic.

Union Bank

Union Bank offers special checking products and mortgages to help low- to moderate-income consumers build a sound financial future. For example, in addition to FHA loans, Union Bank offers competitive rates, low down payments, flexible underwriting, and options with no mortgage insurance.

Union Bank offers low down payment mortgage loans to help people get into homes with less than a 20% down payment. Union Bank has loan programs with down payments as low as 0% to 3.5%. These low down payment loans are a great option for those who do not have a large down payment or may not qualify for other types of loans, particularly for first-time homebuyers. With low down payment loans, customers enjoy greater credit allowances and low down payments (and some may also include no mortgage insurance options).

For example, Union Bank offers the affordable HomeReady mortgage loan product, a fixed-rate loan with fixed monthly principal and interest payments for the life of the loan. Customers may be eligible for a HomeReady loan if they meet certain income limits for the census tract in which the subject property is located. In addition, Union Bank offers the affordable Economic Opportunity Mortgage for customers seeking to purchase or refinance a property located in a designated census tract, or whose annual household income meets certain income limits for the county where the property is located. For both the HomeReady and Economic Opportunity Mortgage products, up to 97% financing available on certain purchase transactions and certain refinances.

Union Bank offers a down payment and closing costs assistance program that provides a one-time grant to eligible first time homebuyers. Program features include a one-time grant of $6,000 for subject properties located in certain California counties, and a one-time grant of 3,000 for all other markets in the Union Bank footprint for first time homebuyers of owner-occupied primary residences located in a designated LMI census tract (or for homebuyers whose combined qualifying income is within 80% of the median income for the county). This down payment assistance grant program is available to customers in connection with both the HomeReady and Economic Opportunity Mortgage loan products.

3. Response to Community Impacts of COVID-19

U.S. Bancorp

COVID-19 has challenged U.S. Bancorp and its customers and communities in many ways, but a coordinated response and engaged employee population has helped U.S. Bancorp keep people safe while continuing to meet customer needs. U.S. Bank was recently named the most essential bank amid COVID-19 by The Harris Poll.

In particular, U.S. Bancorp has offered multiple resources to support customers and communities through the COVID-19 pandemic. For example, U.S. Bank's online hub for financial well-being provided details on CARES Act financial support, with a focus on consumers and small businesses. U.S. Bank also created a digital platform dedicated to navigating emergencies with COVID-specific articles and resources and held virtual financial education activities and workshops. In March 2020, U.S. Bank announced a partnership with

Operation HOPE, activating HOPE Inside Disaster for individuals and small businesses to receive free virtual financial recovery support in response to the nationwide economic impact of the pandemic. Services include credit education and coaching, financial disaster budget planning for individuals and families, money management education and coaching, assistance with financial disaster recovery, creditor and mortgage debt deferment, and guidance and assistance referrals for food, clothing, shelter, and government-sponsored emergency assistance.

In addition, U.S. Bank responded to the COVID-related financial hardships facing its consumer and small business customers with several assistance options. U.S. Bank's dedicated COVID-19 Information Hub made the support and solutions easily accessible to its customers. U.S. Bank adjusted products and processes to assist customers and to provide continuous and safe access to banking services, focusing on areas that had the most impact and fostered financial security during this difficult time. These efforts have included:

- Temporarily adjusting consumer and small-business lending products and services to make them more affordable and accessible to existing customers who may be financially impacted. This includes the Simple Loan—U.S. Bank's transparent installment loan—and Personal Loan products for consumer customers, and products like Quick Loan and Cash Flow Manager for business customers;

- Offering mortgage customers COVID-related forbearance and repayment solutions, new counseling and educational tools, enhanced digital capabilities to improve customer experience, and increased engagement with mortgage customers who need support to help them understand available options;

- Offering auto loan and lease customers deferred payments, extensions and alternative options;

- Reactively waiving credit card fees and implementing payment deferral programs, which have supplemented the options that are regularly available to customers who are experiencing hardship, including rush replacements of cards and increased credit limits;

- Reactively refunding deposit service fees for impacted consumer and business customers, including overdraft protection fees and monthly maintenance fees;

- Raising mobile check deposit limits for many customers so they can deposit checks quickly and securely using the U.S. Bank Mobile App—and stay safe at home; and

- Temporarily waiving the fee for businesses to digitally receive money from customers with Zelle, the bank-led person-to-person payment network.

In addition, U.S. Bank has secured funding approval for more than 175,000 applicants under the Paycheck Protection Program ("PPP") to assist small- and medium-sized businesses affected by the COVID-19 pandemic. Highlights of U.S. Bank's PPP participation have included:

- More than $10.75 billion in funding;
- Potential to impact more than 1 million workers across all 50 states and the District of Columbia;
- 93% of loans provided by U.S. Bank were for less than $150,000;
- Average size of SBA-approved loans processed by U.S. Bank was less than $70,000, which is significantly lower than the industry average that the SBA has reported for the entire program; and
- Nearly 95% of these loans went to businesses that reported 20 or fewer employees.

In addition to U.S. Bank's direct participation in the PPP loan program, USBCDC moved quickly to provide $50 million in low interest-rate loans to seven CDFIs. These CDFIs did not necessarily have the capacity to meet the high demand brought on by COVID-19, and U.S. Bank's funding helped them provide PPP loans to borrowers that needed support the most.

U.S. Bancorp also recognizes that the COVID-19 pandemic has presented challenges for its employees, both at and away from work. U.S. Bancorp has supported its employees in a number of ways during the pandemic and is using employee feedback to inform its future workforce strategies and practices. Highlights of U.S. Bancorp's COVID-19 response for employees have included:

- A Premium Pay Program to provide critical front-line employees with a temporary 20% hourly wage increase. Additionally, nearly all of U.S. Bank's front-line employees received a bonus in December 2020 in recognition of their effort and dedication during the pandemic;
- Designed return-to-office playbook and safety checklist to prepare facilities, and assess readiness, for return to offices;
- Developed written metrics to guide actions with respect to travel, meetings, gatherings and return to office;
- Providing personal protective equipment including face coverings (masks), gloves and face shields—especially in U.S. Bank's customer-facing sites;
- Enhanced cleaning procedures, including increased cleaning frequency and complete facility inspections every 60 days;
- Installation of needlepoint bipolar ionization units on HVAC systems, which quickly deactivate pathogens and pollutants, including SARS-CoV-2, at a molecular level;
- Adding plexiglass barriers where appropriate;

- Flexible leave policies to allow U.S. Bank employees the time they need to take care of themselves and their family members;

- Moving non-office critical employees (approximately 75% of U.S. Bank's workforce) to work from home or remote locations to increase social distancing for its colleagues in office critical roles; and

- Temporarily suspending all nonessential business travel.

Union Bank

In March of 2020, as MUFG Americas was preparing to close out its 2019 fiscal year, the company made a declaration of its intention to support local communities most impacted by the COVID-19 global pandemic. Union Bank has been intent on ensuring that it provided immediate relief for its most vulnerable communities. To that end, Union Bank's focus has been to provide disaster relief through localized deployment. Union Bank helped fund work already underway by non-profits to provide at-risk communities basic needs, like shelter and food. Union Bank's support was focused and deliberate, and it took quick and decisive steps to deploy financial support to its neighbors.

In March 2020, Union Bank committed $3 million to provide immediate relief to communities in the bank's footprint. Union Bank worked in close collaboration with nonprofit organizations, local government agencies and public-private humanitarian partners to ensure that funds were quickly deployed for their intended use. Funds were allocated to the following causes:

- $1.4 million in support of the small business sector. Funds were used to support economic development activities that sustain small business operations, particularly in low- and moderate-income communities.

- $1 million to support existing small business grants, of which nearly 80% went to diverse populations.

- $500,000 for social safety net programs, including regional foodbanks, that provide health and human services to low- to moderate-income populations.

- $100,000 for community-based organizations in Canada and Latin America.

Union Bank also made donations to a number of critical local organizations supporting its communities, including the Long Beach Economic Partnership, the Oakland Fund for Public Innovation, SCORE Orange County, El Pájaro Community Development Corporation, Grameen America, Chinatown/International District Restaurants Small Businesses Funds, and United Way of Fresno and Madera Counties. Relief efforts also went to organizations which served seniors or tackled food insecurity.

As part of Union Bank's relief efforts, it also created a loan program in partnership with the Bankers Small Business Community Development Corporation of California, a CDFI and affiliate of CDC Small Business Finance, to establish a loan program to help alleviate the shortfall in cashflow for small businesses. Capital provided to the CDFI was offered at a below-market interest rate.

Despite the unprecedented situation, Union Bank had robust business continuity plans in place to provide continued service to its clients as an essential service. Union Bank bankers, tellers and call center colleagues were fully equipped to provide clients with the information they needed to navigate the uncharted waters. As part of its response efforts, Union Bank offered fee waivers, payment deferrals and other expanded assistance for both business and consumer clients. An online COVID-19 Resource Center was created so Union Bank clients could receive the latest information and engage with Union Bank safely and remotely.

Union Bank has also understood that the far-reaching impacts of COVID-19 have impacted its own workforce. The Union Bank Employee Relief Fund ("ERF") established in 2018 to address immediate financial needs as a result of a natural disaster or other unforeseen emergency situation was expanded to assist colleagues during the pandemic. Moreover, the fund received a significant infusion of monetary contributions from senior leaders within the company wishing to help their fellow colleagues. Employees of the bank can apply for an ERF grant up to $5,000 to help cover living expenses or other expenses associated with immediate short-term critical needs. Union Bank has also implemented programs to support its employees, including the following:

- Front line Union Bank employees received a Supplemental Crisis Relief Allowance of $500 per month during the most challenging and uncertain time in 2020.

- Union Bank implemented an incentive/commission offset approach to ensure front line employee income did not significantly decrease due to the pandemic in key months within 2020.

- In addition to existing vacation, sick time and leave programs offered to employees, Union Bank implemented Crisis Relief Time Off and Pandemic Leave programs, which remain active, allowing enhanced time away from work for employees to address their own personal needs and those associated with their families as a result of COVID-19.

- Union Bank enhanced benefits programs, including increased backup childcare assistance for working parents, along with other resources.

4. Advancing Racial Equity

U.S. Bancorp

The tragic death of George Floyd, which took place just a few miles from U.S. Bancorp's headquarters, called attention to the challenges of racial inequities in U.S. society. U.S. Bancorp is responding in part by working with community partners to identify opportunities to address the needs of the communities it serves. To date, U.S. Bank has committed $116 million to address social and economic inequities. Of that $116 million, U.S. Bank committed to $100 million annually in access to capital for Black business owners, created a $15 million Rebuild and Transform Fund within the U.S. Bank Foundation, and provided $1 million to Black-led CDFIs, through USBCDC.

Through a series of community conversations with U.S. Bank senior leaders, bank mortgage representatives, elected officials, nonprofit housing agency executives, vested community advocates and faith-based community leaders, U.S. Bank has listened, discussed and identified areas where the need is greatest. Based on these discussions, U.S. Bank has been creating programs, products and services to help address the racial wealth gap, including by providing greater access to capital for Black-owned businesses and Black entrepreneurs and doubling the number of Black-owned suppliers U.S. Bank does business with by June 2021. U.S. Bank knows that as a financial services institution, it can utilize its core capabilities to play an important role in addressing the racial wealth gap.

Earlier this year, U.S. Bank, which has been named one of the World's Most Ethical Companies for seven consecutive years, launched U.S. Bank Access Commitment, U.S. Bank Access Commitment, a long-term approach bringing the strengths of USBCDC, corporate social responsibility and its business lines, to help build wealth while redefining how the bank serves diverse communities and provides more opportunities for diverse employees. Access Commitment will focus on three primary areas: supporting businesses owned by people of color, helping individuals and communities of color advance economically and enhancing career opportunities for employees and prospective employees. The ongoing work—which will include projects from across U.S. Bank's diverse portfolio of businesses—builds on the $116 million commitment made by U.S. Bank in 2020 including increased supplier spend, innovative products, services and transformative customer experiences and long-term place-based partnerships with the goal of addressing the persistent racial wealth gap, starting with the Black community. As described in further detail below, this initial launch includes:

- A new $25 million microbusiness fund focused on businesses owned by women of color, and focused on providing access to capital, technical assistance and networking;
- A mortgage program focused on homeownership education and hiring;
- A focus on building sustained wealth as part of U.S. Bank's wealth management business;
- Financial inclusion partnerships;
- Supply chain financing focused on diverse businesses;
- Customized employee leadership development; and
- A change to how U.S. Bank fills open positions.

Additional information regarding U.S. Bank's initiatives under its Access Commitment is provided below:

- *$25 Million Microbusiness Fund*: Under the Access Commitment, the U.S. Bank Foundation and USBCDC will provide $25 million in grants and investments through a new microbusiness fund for businesses owned by women of color. The fund is focused on providing access to capital, technical assistance and networking. USBCDC will provide $20 million in debt capital to Black-led and women-focused CDFIs. U.S. Bank Foundation will provide $5 million in grants to support expansion, capacity building, technical assistance and mentorship/networking.

- *Expanding Finance Opportunities for Diverse Businesses*: U.S. Bank's Global Trade and Supply Chain Finance teams will expand existing efforts to provide trade financing to more diverse businesses, with a focus on supply chain finance. The team will work with U.S. Bank corporate and commercial banking customers to optimize working capital for diverse-owned businesses. It will do this by providing bilateral access to U.S. Bank's receivables purchase program so they can provide competitive payment terms to their buyers but be paid earlier than the due date. This will help free up much needed capital by improving cash flow and enhancing their sales effort.

- *Expanding USBCDC's Ongoing Commitment to Racial Equity*: USBCDC continues to look across its business for ways to deepen relationships with partners that are Black-owned, Black-led or are prioritizing racial equity in their work. For example, it is prioritizing patient and lower-cost capital to Black-led CDFIs through a partnership with the African American Alliance of CDFI CEOs; removing barriers and providing stronger support to Black- led affordable housing developers; and using an intermediary community development entity ("CDE") model to create opportunities for Black-led CDFIs and CDEs to earn revenue, build experience and receive their own New Markets Tax Credit allocation.

- *Doing Business with Diverse Businesses*: In 2020, U.S. Bank committed to doubling its Black-owned suppliers within the next 12 months. U.S. Bank is making great progress and is on track to achieving this goal. Examples of areas of progress include new engagements in real estate appraisals, digital, technology, and construction. In the Fall of 2019, U.S. Bank joined the Department of Treasury's Mentor/Protégé program to provide vital support to Minority Deposit Institutions ("MDIs"). Since then, U.S. Bank has been providing developmental assistance and engaged in revenue generating opportunities with First Independence Bank, a Black Owned bank headquartered in Detroit, Michigan. In August 2021, First Independence Bank announced plans to open its first branch in Minneapolis. U.S. Bank will continue to support First Independence Bank in its first expansion outside of the Detroit area.

- *Helping Individuals and Communities of Color Advance Financially through Homeownership*: U.S. Bank is introducing its DREAM (Delivering Resources that Enable Access to Mortgage) Initiative, focused on advancing Black homeownership and increasing Black representation in the mortgage industry for individuals and families across its national footprint through strategic outreach and engagement with local community partners. The initiative includes enhanced adult financial education, youth outreach, and a mortgage loan officer development program focused on attracting underrepresented communities to mortgage as a viable career choice.

- *Helping Individuals and Communities of Color Advance Financially through Financial Inclusion*: Through its technology and operations business, U.S. Bank made an equity investment in Goalsetter, a Black-owned kids and family finance app that provides a next-generation, education-first banking experience for U.S. kids and teens, focused on financial literacy. U.S. Bank was one of the first corporations to provide investment into the app. U.S. Bank is working on opportunities to use Goalsetter in its everyday business offerings including incorporating the app into its financial education experiences for customers and in its scholarship program. During 2020, U.S. Bank launched financial wellness coach programs in Aurora, Colorado, and in the Pullman neighborhood of Chicago in partnership with Operation HOPE. The goal is to increase credit scores, savings and confidence, with an emphasis on serving people of color and underbanked individuals. Additionally, U.S. Bank will soon begin a new financial wellness pilot in Columbus, Ohio, offering financial education classes to high school students.

- *Helping Individuals and Communities of Color Advance Financially through Building Black Wealth*: U.S. Bank recently conducted a survey of approximately 4,600 people to better understand the wealth management needs of various populations (Black, Asian, Hispanic and Caucasian). Early findings of this survey found that the majority of Black respondents felt their community was at a disadvantage compared to the general population when it comes to wealth accumulation. Findings from this survey will be used to help inform a broader initiative to build wealth in communities of color. Listening and learning are key drivers in determining U.S. Bank's Building Black Wealth next steps.

- *Enhancing Career Opportunities by Advancing Black Leaders*: U.S. Bank is committed to creating an inclusive culture where all employees are valued, empowered and given equitable access to opportunities to build and advance their careers. The company offers leadership development for all employees and will expand opportunities for both early- and mid-career employees and Black executives in partnership with the McKinsey Black Leadership Academy. To date more than 150 executives are participating in the program. U.S. Bank is also preparing to launch a second year of its Managing Committee Sponsorship Program, which pairs executive leaders with women, Black and Hispanic leaders to increase visibility and accelerate their advancement.

- *Enhancing Career Opportunities by Ensuring Diverse Candidate Slates*: U.S. Bank recently expanded its diversity hiring efforts to include at least one woman or person of color in the interview process for all employment opportunities. Previous efforts had applied to manager level roles and above. The bank has also committed to expanding the use of diverse interview panels and is revising partnerships for sourcing diverse candidates.

U.S. Bancorp has also made the following local market investments connected to advancing racial equity:

- *Opportunity Fund Community Development (Strengthening Small Businesses Moving Forward)*: The mission of Opportunity Fund is to drive economic mobility by delivering affordable capital and responsible financial solutions to determined entrepreneurs and communities. Opportunity Fund is focused on lending to "underbanked" entrepreneurs (those with difficulty obtaining loans from traditional banks), including people of color, women, immigrants, and low-to-moderate income business owners. U.S. Bank provided a grant to Opportunity Fund which provides small businesses with learning opportunities through coaching, webinars, and digital educational resources, supporting them in many aspects of running a business.

- *Greenlining Institute (People of Color ("POC") Small Business Network Focus Area(s))*: In 2020 and 2021, U.S. Bank provided more than $350,000 for the POC Small Business Network, for which U.S. Bank serves as the sole bank sponsor. For decades, Black, Latinx, and immigrant small businesses in East Oakland have operated with slim profit margins and uncertain economic futures due to persisting challenges of financial exclusion, commercial displacement, and inequitable economic growth in a rapidly changing Bay Area. The COVID-19 pandemic exacerbated the effects of institutionalized racism that place people of color, and particularly low-income households of color, in precarious economic and employment circumstances. The additional challenges added by the pandemic have disproportionately impacted East Oakland's Black and Brown entrepreneurs and they need to receive substantial, targeted support to protect existing assets and build new wealth. In the fourth quarter of 2020, Greenlining launched the Oakland People of Color Small Business Network pilot to support minority-owned enterprises with technical assistance and direct economic benefits. To deepen support for local minority-owned small businesses during the COVID-19 pandemic, Greenlining Institute's Economic Equity team and U.S. Bank will support California's small business ecosystem through this localized, place-based strategy. Following the completion of the pilot phase, Greenlining will evaluate indicators of success and prepare to replicate the program in other cities across California, such as Los Angeles and San Diego. Funding for this initiative was renewed in 2021.

- *California Association for Microenterprise Opportunity (CAMEO)*: Over a year into the pandemic, CAMEO became the go-to-place for up-to-the minute COVID relief small business resources and training for members to support the LMI and Black, Indigenous, People of Color ("BIPOC") entrepreneurs they serve. U.S. Bank's provided funding which allowed CAMEO to continue its leadership of

California's small business sector. Grant support leveraged federal and state funding to support various initiatives in continuing to support small-business owners and practitioners in navigating COVID-recovery, including a first-of-its-kind CDFI Incubator initiative to increase the number and dollar amount of microloans made to LMI entrepreneurs, women, and people of color, the CA Rebuilding Fund ("CARFund") Unmatched Program, which provides critical capital for small-businesses through CDFIs including by matching small businesses with advisers to strengthen their business models, acumen, and financial management, and an initiative focused on assisting BIPOC and LMI entrepreneurs with navigating the array of COVID resources available.

In addition to its Access Commitment initiatives, U.S. Bank has advanced its commitment to advancing racial equity through a number of another projects and commitments. For example, in April 2021, U.S. Bank announced $60,000 in additional support to Asian American and Asian Pacific Islander ("AAPI") communities to combat biases and acts of violence. The U.S. Bank Foundation grants were distributed to AAPI organizations in Southern and Northern California, Atlanta, Seattle and the Twin Cities. The organizations receiving grants include:

- Coalition of Asian American Leaders (Minneapolis/St. Paul, MN) to help further build multi-racial partnerships that strengthen solidarity to achieve justice, equity and prosperity and provide leadership support to develop and support Asian Minnesota leaders.

- Asian Pacific Heritage Foundation (San Francisco, CA) to support continued awareness of diverse Asian Pacific American cultural heritage and to provide a forum for community collaborations.

- Chinese Information Service Center (Seattle, WA) to fund ongoing work on anti-Hate and Bias programs supporting members in King County and to support students and school districts as they return to in-person learning and lead conversations about public safety.

- Center for Pan-Asian Community Services (Atlanta, GA) to develop a rapid response and direct support for partners and victims experiencing the impacts of discrimination and violence.

- Pacific Arts Coalition (San Diego, CA) for ongoing support of the Coalition, which formed in 2020 in response to increased racism and xenophobia stemming from the spread of COVID-19. The Coalition consists of more than 30 local AAPI-serving organizations and works together to provide communication, collaboration and advocacy on behalf of the broader AAPI community.

- Asian Youth Center (San Gabriel, CA) to support additional research and survey work with Asian residents in the San Gabriel valley to help guide future policy work and community programs.

In July 2021, U.S. Bank and Enterprise Community Partners (Enterprise) announced the issuance of an innovative bond designed for targeted and measurable racial equity results. Issued by Enterprise Community Loan Fund, Enterprise's CDFI (and with U.S. Bank serving as structuring agent, advisor and sustainability coordinator), the $30 million bond will help provide loans to Black, Indigenous and people of color housing developers under Enterprise's initiative. This is the first CDFI-issued racial equity bond, and the introduction of this new social bond framework into the capital markets for mission-driven institutions like CDFIs offers companies the opportunity to directly invest in projects that support racial equity in underinvested communities of color. U.S. Bank is purchasing the initial $10 million of this $30 million bond.

U.S. Bank is also an active participant in the OCC's Project REACh initiative. Launched in July 2020, Project REACh promotes financial inclusion through greater access to credit and capital. REACh, which stands for "Roundtable for Economic Access and Change," brings together leaders from the banking industry, national civil rights organizations, business, and technology to reduce specific barriers that prevent full, equal, and fair participation in the nation's economy. U.S. Bank representatives are engaged in all four Project REACh work streams: alternative credit, affordable homeownership, small and minority business opportunity, and Minority Depository Institutions.

Union Bank

Union Bank has a long history of supporting diverse communities across its footprint, and it is committed to the considerable work necessary to preserve jobs, grow small businesses, and build thriving communities. Union Bank seeks to advance racial equity in its communities through diverse lending, grant-making and partnerships, and resource offerings for clients across a spectrum of needs.

Union Bank's work in this area is championed by the following departments: Philanthropy & Community Service; Supplier Diversity & External Relations; Diverse Markets; CRA Loans & Investments, and Community Lending. Union Bank's internal I&D work is guided by its newly formed I&D Council and, as with all CSR initiatives, it is overseen by a Community Advisory Board, which consists of nationally recognized experts with distinctive knowledge on topics and aspects important to the bank. Union Bank's Community Advisory Board members serve as knowledgeable external monitors of the bank's Community Service Action Plan and CRA performance. All Community Advisory Board recommendations and guidance are aligned with the objectives of MUFG and are directed and managed by the managing director of CSR for the Americas.

In May 2020, using revenue generated through the Paycheck Protection Program, Union Bank created the MUFG Union Bank Community Recovery Program ("CRP"), a $10 million initiative to support nonprofit organizations that are dedicated to social and economic justice within communities of color. The program focuses on building economic stability, including better access to capital, entrepreneurship, job retention, retraining and providing critical social safety net services. Co-chaired by the head of CSR for the Americas and the head of diverse markets for Union Bank, this program was created to respond to the shifting needs of society. Union Bank has the tools to advance economic inclusion in its communities, and it was clear that its communities of color were facing an uphill battle to recover from the pandemic. Community

Recovery Program grants are directed to organizations and programs that focus on small business recovery efforts, rebuilding the workforce, and increasing financial security. In 2020, grants were distributed to over 125 community organizations, ranging in size from one employee to several hundred, totaling $3.31 million. Conceptualized for long-term impact, the remaining funds from the program will be distributed over the next three years to help Union Bank's communities recover and stay strong. To date, there has been over $2.7 million in grants to approximately 125 grant recipients, with 84% of such CRP grants being provided to diverse populations.

Diversity is an incredible asset within Union Bank's footprint, and Union Bank aims to embrace, support, and celebrate Diverse Business Enterprises through its robust Supplier Diversity program. Union Bank understands the importance of Diverse Business Enterprises, which include businesses owned by ethnic minorities, women, and veterans, and their role in promoting economic vitality in their communities. Union Bank's strategy is devised and implemented by its Supplier Diversity department, with a goal of increasing the number of diverse business enterprises from which Union Bank sources products and services. To ensure that its diverse supplier relationships have a strong and sustainable foundation, Union Bank is also working to increase the capacity and effectiveness of Diverse Business Enterprise suppliers by providing them with training, coaching, and mentorship opportunities.

From the start, Union Bank prioritizes diversity efforts in its initial request for proposal ("RFP") stage, with the goal to receive 17.5% of RFP responses from Diverse Business Enterprises. Beyond RFPs, Union Bank's team ensures its diversity strategy is woven into the entire supplier sourcing process, including by regularly mapping the bank's RFP successes to its Community Service Action Plan goal of spending 15.5% of total bank spend with diverse businesses to hold teams accountable. In 2020, the bank's total spend for Diverse Business Enterprises was $250 million.

To support business growth, Union Bank believes that continued education is key, which is why Union Bank has provided over $1 million in scholarships over the last decade for higher education for diverse business owners with the intention to help them grow their company's capacity and efficiency. These university programs provide a meaningful opportunity for entrepreneurs to expand their skills in areas ranging from marketing to cybersecurity. In November 2020, Union Bank expanded this program by partnering with the Western Regional Minority Supplier Development Council to develop a pilot program for businesses with under $1 million in revenue, to support additional small business owners. The pilot program, which focused on Black and Latinx suppliers, involved 28 business owners and managers. After attending a six-month program of business classes and coaching sessions, each representative completed a business growth strategy and due diligence process, which qualifies them to serve as trusted suppliers for not just Union Bank but all large corporations.

In June 2020, as the national conversation about racial inequities continued to gain momentum, Union Bank turned to its communities to understand how it could be better partners to them. Union Bank's Small Business Development team held a meeting with local community partners to hear directly from Black-led organizations about their experiences and unmet needs, such as access to training, capital, procurement opportunities, or mentorship. As a result, the Community Development Financial Institution Consortium—a coalition of representatives from

CDFIs with the intent to multiply community impact through partnership and collaboration—was established.

Union Bank also maintains the Business Diversity Lending ("BDL") program, a special-purpose credit program designed to encourage applications and make small business loans to women-, minority-, and veteran-owned businesses. Without access to small loans, women and minority business owners are at a competitive disadvantage, having to rely on personal savings, loans from friends, crowdsourcing, and credit cards (when those options are available). Union Bank is committed to supporting underserved communities. In fact, Union Bank is one of only a handful of banks in the country to have a special purpose credit program under the Equal Credit Opportunity Act.

In 2020, the Union Bank Business Diversity Lending program was moved to the CRA Lending and Investment Division. As part of the transition, new marketing materials were created and the BDL page on the Union Bank website was updated. The CRA Lending & Investment Division is currently working with other areas of the bank to expand the visibility of the BDL program within their external networks. An example is the ongoing efforts to partner with CSR Supplier Diversity & Development to target known Minority Supplier Councils within Union Bank's West Coast footprint. In addition, the bank has partnered for the first time with a third party to develop a referral system that allows members of the Western Regional Minority Supplier Development Council the ability to link to the BDL webpage and apply for a loan using BDL qualifications with the Union Bank Small Business Banking group.

5. Environmental and Sustainability Commitments

U.S. Bancorp

U.S. Bancorp continually works to stay ahead of the risks climate change poses to its business through sound strategy and risk management, while also helping customers seize the opportunities of a green economy. U.S. Bancorp believes that running its business in an environmentally sustainable manner is an important component of corporate responsibility. As society's understanding of the wide-ranging impacts of climate change has evolved, however, so too has U.S. Bancorp's understanding of the effects a changing climate can have on its business. U.S. Bancorp has taken steps to enhance how it assesses the financial and reputational risks climate change poses to the bank, and has also begun to focus more on opportunities presented by a changing economy. U.S. Bancorp reports annually to the CDP (formerly the Carbon Disclosure Project), and received a score of "A" on its most recent report, which covers 2019 data, for its actions to cut emissions, mitigate climate risks and develop the low-carbon economy. U.S. Bancorp is dedicated to operating in a more sustainable manner and, under a 2014 baseline, set a goal to reduce its operational greenhouse gas emissions by 40% by 2029 and 60% by 2044. As of year-end 2019, it had reduced its emissions by 44%, reaching the 2029 target 10 years early.

U.S. Bancorp conducts board-level oversight of climate change impacts on the company, which occurs primarily in the Risk Management Committee and the Public Responsibility Committee of the board. The Risk Management Committee oversees management's execution of U.S. Bancorp's Risk Management Framework, which includes policies to govern the management of credit, operational, compliance and other risks that could be generated by climate change. This framework includes U.S. Bancorp's Risk Appetite Statement. Climate risk is integrated into U.S. Bancorp's emerging risk process and is included as an emerging risk that is assessed and managed. The Public Responsibility Committee oversees policies and programs related to corporate responsibility matters, including environmental sustainability, and reviews company positions and practices that pose reputation risk. To carry out these responsibilities, this committee receives regular updates from management on climate change and other environmental matters to review its strategy, goals, possible risks and risk mitigation initiatives, and major environmental partnerships.

Management-level risk oversight structure relating to climate change under the Board's Risk Management Committee is headed up by the Executive Risk Committee ("ERC"). Senior operating committees support the ERC. U.S. Bancorp formed a Climate Risk Working Group in 2020 as a centralized, integrated forum for information sharing and discussion on topics related to climate change risk, both financial and reputational. This group meets monthly, is co-chaired by the head of enterprise risk management and the chief risk officer for strategy, transformation and corporate affairs, and includes representatives from the risk management, strategy, finance, economic analysis and legal functions, as well as from business lines offering products and services affected by climate-related risks and opportunities.

With climate change impacts prompting U.S. Bancorp to better manage its energy use, U.S. Bank's operational strategy across its approximately 3,000 locations is twofold: the bank continues seeking opportunities to purchase renewable energy for its facilities while also working to reduce energy use at its facilities. This work has resulted in opportunities to save money and increased vendor partnerships, such as purchasing renewable energy through Xcel Energy's Renewable Connect program and PGE's Clean Wind program. U.S. Bank is building its facilities to be more efficient by following sustainable principles in the design phase, while also retrofitting its facilities to use less energy by requiring more efficient HVAC equipment when replacement is necessary, switching out light fixtures for more efficient options (LED) and installing better controls. U.S. Bank extends its operational impact through its supply chain decisions, asking potential vendors to share information on their environmental programs, including the key performance indicators they use to measure progress, during its vendor-selection process for all new projects. U.S. Bank continues to evaluate its supplier approval program to find ways to prioritize suppliers based on their climate change reduction efforts.

Much of U.S. Bancorp's environmental finance activity happens through USBCDC, U.S. Bank's tax credit and community investment division described above. Through USBCDC's Renewable Energy Tax Credits, U.S. Bank invests in projects that help provide clean energy options to the nation's homes, towns and businesses through wind, solar and other renewable energy projects. These projects are not only good for the environment, but they also create tens of thousands of jobs in local communities around the country. U.S. Bank commits more than $1 billion annually in renewable energy investments, and since 2007, USBCDC has committed more than $12 billion in solar, energy storage, wind, biomass and fuel cell technologies. As part of that commitment, U.S. Bank has financed $11 billion in solar, or more than 15% of all solar projects in the United States, over the past 10 years. U.S. Bank's solar portfolio spans a broad customer base, which diversifies risk within its environmental finance activities.

In addition to tax credit financing, U.S. Bank also powers the transition to a low-carbon economy with loans to customers who manufacture or sell environmentally friendly products or who offer services that help reduce environmental impact. For example, clients in its utilities portfolio must expend meaningful capital resources to ensure that their operations meet or exceed increasing regulatory mandates for renewable energy. U.S. Bank helps them meet those goals for a cleaner environment by providing loan commitments. Other opportunities include commercial real estate loans to build LEED-certified buildings and financing for brownfield developments, manufacturers who implement environmentally friendly practices, environmental services and renewable energy power generation. Green auto lending has become U.S. Bank's leading program in this space. From 2008 through 2020, U.S. Bank financed $7.8 billion in capital to electric vehicle lending and leasing through its equipment finance and auto leasing division.

Union Bank

Union Bank knows that its business is intrinsically linked to the sustainability of its surrounding environment and society, and is committed to integrating environmental sustainability into its business strategy, thereby elevating environmental and social solutions. To do this, Union Bank engages its business ecosystem of stakeholders spanning from within its internal operations—such as colleagues, investors, bondholders, and the community where it operates—to its clients and their communities.

Union Bank's Environmental, Social, and Governance work is spearheaded by the Sustainable Business Office for the Americas, and closely aligned with the MUFG Sustainable Business Office in Tokyo. 2020 was a pivotal year and, with the support from global headquarters in Tokyo, Union Bank has mapped out a comprehensive plan to integrate sustainability into all business areas. Building on its $21 billion investment in environmental finance over the past five years, Union Bank's revitalized approach to ESG principles outlines parameters for harnessing and amplifying its positive impact in its communities and the broader world to increase transparency and mitigate negative impact on the planet and its people.

Union Bank's environmental sustainability mission is built on a foundation of the following pillars.

- *Social License to Operate*: Union Bank is dedicated to developing essential programs that align its business with its stakeholders' increasing demands for environmental and social action. Since 2016, MUFG has given more than $21 billion of environmental financing for projects that advance issues such as green affordable housing, solar and wind energy, sustainable agriculture, mass-transit systems and public water infrastructure, ESG bonds and linked loans.

  Union Bank believes that true transformation begins from within, which is why it launched the Sustainable Business Working Group in early 2020. The group increases awareness of and collaboration on sustainability efforts among Union Bank colleagues and clients. Through internal education events hosted by various colleagues and business groups, Union Bank teams collectively assemble to share, connect, and understand the sustainability efforts in motion. These programs have featured subject matter experts across its business divisions, from capital markets to the risk division. Last year, through the MUFG Union Bank Foundation, Union Bank created a specialized Environmental Giving Fund, which supports initiatives that champion clean tech entrepreneurship, green workforce, and environmental justice.

- *Addressing Climate's Financial Risk:* Union Bank abides by existing commitments to key climate change initiatives, offering sustainable finance solutions and implement enhanced risk management practices that mitigate the physical and transitional risks associated with climate change. Union Bank realizes that climate risk can directly harm the corporate value and reputation of MUFG Americas if it does not acknowledge climate's increasing threat or act toward business decisions that mitigate climate risk. Understanding the importance of climate risk and its direct financial impacts, Union Bank is incorporating climate risk into its existing Risk Management Framework, and aims to be a valuable resource to clients and communities that are interested in reducing the physical and transitional aspects of climate change.

  In 2020, Union Bank began development of a Climate Risk Management Program to provide a robust governance structure to respond to the latest trends and developments of climate-related risk and its effect on its clients. This approach to climate risk comes from a deeply held belief that Union Bank's future relies on a sustainable society. Climate risks are interconnected to other existing risk types, like reputational, transactional, and compliance risks due to the physical, transition, and societal effects of climate change. Through this program, Union Bank equips its management with the knowledge and tools to set risk appetite as well as identify, measure, control, monitor, educate, report, and effectively manage reputational risk related to climate across MUFG Americas. Union Bank communicates proactively, both internally and externally, to support engagement with clients, colleagues, Non-Government Organization stakeholders, and the general public.

  Globally in 2020, MUFG tightened environmental and social policies, including restrictions on financing for Arctic development, oil sands and large hydropower projects. These updates built on 2019 improvements which ended the financing of new coal-fired power plants, limiting certain coal-mining projects and requiring international certifications for forestry and agribusiness clients. In October of 2020, MUFG committed to reducing its exposure to coal-fired power generation by 50% by fiscal year 2030 and to zero by fiscal year 2040.

- *ESG Product Offerings*: Union Bank is dedicated to developing financial services products that embrace social responsibility and sustainable investing to help clients align their finances with their commitment to the environment and society. To do this, MUFG's Environmental, Social and Governance ("ESG") and Corporate Social Responsibility ("CSR") teams work with the organization's Reputational Risk Committee and business lines to develop products and services that serve the burgeoning green markets. In 2020, Union Bank completed its five-year Community Service Action Plan—Americas Environmental Finance goal with a cumulative total of $21 billion for ESG projects such as green affordable multifamily housing, renewable energy, battery storage, mass transit, sustainable agriculture and recycling waste management companies.

In February 2021, Union Bank announced the launch of its Green Deposits. Available in the United States, Green Deposits gives clients the opportunity to invest their deposits in Environmental, Social, and Governance projects. Union Bank will use the deposited funds to finance ESG projects such as energy efficiency; renewable energy; green transport; sustainable food, agriculture, and forestry; and waste management and greenhouse gas reduction; among others.

- *Carbon Neutrality for In-house Electricity Needs by 2030*: In line with Tokyo's announcement to source enough renewable energy to supply 100% of its in-house electricity needs in Japan by 2030, MUFG Americas has adopted the same goal. MUFG Americas has been working with its Corporate Real Estate team to identify opportunities to install renewable power or to purchase renewable electricity to meet all of its internal power needs by 2030. Union Bank continues to undertake optimization projects such as installing energy efficient LED lighting in its branches and administrative buildings.

6. Fair Lending and Consumer Protection Compliance

U.S. Bank and Union Bank currently operate under robust compliance management programs with an appropriate risk framework that includes policies and procedures, training materials, internal controls, monitoring, complaint management and corrective action to detect, prevent and correct potential violations of consumer protection laws.

U.S. Bancorp

The U.S. Bancorp Fair and Responsible Banking Program Policy establishes requirements to identify, manage, and mitigate fair lending compliance risk and ensure compliance with fair lending laws and regulations, including the Equal Credit Opportunity Act, Regulation B, the Fair Housing Act, and applicable state laws and rules prohibiting unlawful credit discrimination.

The Fair and Responsible Banking Program ("Program") is led by the Fair and Responsible Banking Officer and overseen by the Risk Management Committee and Public Responsibility Committee of the Board of Directors and also receives senior management oversight through the Compliance Risk Management Committee ("CRMC") and the Fair and Responsible Banking Subcommittee of the CRMC. The Fair and Responsible Banking Officer also leads the Fair and Responsible Banking Division ("FRBD"), which resides within the second line of defense under Risk Management and Compliance and performs many key risk management, fair lending compliance functions, reviews, assessments, and testing activities. The Program also includes first line of defense fair lending compliance responsibilities, carried out by the Business Line Chief Compliance Officer roles and other Business Line representatives as applicable.

The Program includes the following key fair lending activities:

- *Fair Lending Testing*: FRBD performs in-house fair lending analysis and testing across applicable credit products. Statistical data analysis of product application, loan, and customer data is the primary method of testing for discrimination. Various tools are used to conduct a risk-based testing plan, including both regression and non-regression based statistical analysis. In accordance with the Interagency Fair Lending Examination Procedures, the following potential fair lending risks are evaluated and analyzed regularly: redlining, steering, underwriting, pricing, and servicing and default management activities.

- *Compliance and Targeted Reviews*: Through centralized enterprise review processes, FRBD independently completes fair lending risk reviews of marketing, disclosures, procedures, and other compliance impacting materials, business changes, Agile initiatives, regulatory changes, models, incentive compensation plans, credit policy, and third parties that may involve certain higher-risk features, criteria, or customer segments. Targeted reviews of emerging and higher risk areas are also performed.

- *Risk Assessment*: A formal and independent enterprise-wide fair and responsible banking risk assessment, which includes assessing and rating inherent risk, control environment effectiveness, and residual risk on a product, process and business line level, related to fair lending compliance requirements and also covers control expectations prescribed formally by FRBD through the FRBD Master Control List.

- *Complaint Review*: FRBD reviews certain fair lending complaints and the Bank's responses to those complaints. This review ensures complaint investigations are thorough, resolutions are appropriate, and control gaps and issues are identified and addressed. Complaints reviewed can be received directly from customers or from regulatory agencies (*e.g.* Department of Housing and Urban Development and the Consumer Financial Protection Bureau).

- *Branch Location Risk Analysis*: Potential branch closures, openings, and changes in banking services (i.e. drive-ups, safe-deposit boxes, night depositories) are analyzed to identify potential fair lending risk.

Union Bank

Union Bank maintains and executes a comprehensive Fair Lending program, which reflects industry best practices and is commensurate for Union Bank's size and complexity. Union Bank's Fair Lending Program is designed to mitigate fair lending compliance risk and provides a framework for maintaining sound business practices across Union Bank. Union Bank's commitment to fair lending is to consistently:

- Advertise and market lending products in a non-discriminatory manner with consistent and complete disclosure of all material conditions and fees;

- Treat all customers and consumers fairly and in compliance with fair lending laws and regulations, without regard to the individual's race, color, religion, national origin, sex, age, familial status, or any other prohibited basis in any aspect of the customer's credit relationship;

- Require all third-party providers involved in the credit process to adhere to fair lending laws and regulations;

- Maintain strong policies, agreements, due diligence processes, and monitoring activities to govern relationships with third parties so that they are aware of their responsibilities to comply with applicable fair lending laws and regulations;

- Maintain credit and pricing policies, underwriting standards, collateral standards, documentation requirements, and credit exception processes that ensure loans are underwritten and priced in a fair and consistent manner without discrimination on any prohibited basis;

- Administer and service accounts, including the handling of customer inquiries and complaints, and managing delinquent accounts (e.g., collections, foreclosures) in a fair and consistent manner in accordance with applicable laws, regulations;

- Periodically monitor and test Union Bank's lending practices ensuring consistent application of Union Bank's credit, underwriting, and pricing policies and requirements, and to ensure adherence to Union Bank's fair lending standards; and

- Establish compensation practices that are consistent with Union Bank's fair lending principle.

In accordance with Union Bank's governance structure and the Fair Lending Program, ultimate responsibility for compliance with fair lending rules and standards rests with each employee and each line of business with oversight from Union Bank's compliance function. Building on this corporate culture committed to compliance and fairness, Union Bank's board of directors and executive management expect each employee to consider the customer perspective and the customer experience in every business decision.

The Executive Committee, Risk Committee and senior management across Union Bank are responsible for communicating, reinforcing, and actively supporting the compliance culture established by the board of directors. The CRMC also assists executive management and the Americas Risk Committee in overseeing the Fair Lending Program. The MUFG Americas Compliance function provides periodic updates to the CRMC and other committees as appropriate. Where necessary, matters are elevated by the CRMC to the Americas Risk Committee and appropriate levels of executive management, and escalated to the Risk Committee of the board of directors.

Union Bank's Compliance Lending function creates an annual plan for fair lending monitoring which considers all lines of business with lending activity, with a primary focus on residential lending, small business lending, and unsecured and credit card lending. The results of the completed analyses are reviewed and approved by Lending Compliance management, and then shared with the applicable lines of business. Any areas of concern are communicated to the line of business.

Lending Compliance conducts fair lending reviews of behavioral and risk valuation models to assess whether the models pose heightened fair lending compliance risk. Unlike the analyses conducted under the fair lending plan, the fair lending reviews for the models are conducted as they become available from the lines of business. Lending Compliance works with various lines of business, such as the Decision Modeling and Analytics team to obtain an inventory of models, which are executed in accordance with requirements and policies set forth by Model Risk Management.

In addition to providing oversight on product initiatives, Lending Compliance also reviews changes to pricing practices and credit policies. To review the fair lending risks of changes to pricing practices, Lending Compliance participates in committees including the Home Loans Pricing Governance Council and the Small Business Governance Forum. To provide oversight of changes to credit policies, the team attends the Residential Credit Policy Council. For business lending credit policy changes, the business partner reaches out directly to Lending Compliance to review changes.

Customer complaints can help identify practices or product features that consumers find discriminatory in nature. Union Bank maintains processes to monitor and track all customer complaints and has outlined additional steps to be taken for fair lending complaints specifically. Complaints alleging discrimination are immediately escalated to the respective business unit management, Compliance, and when appropriate, the Legal Department. This process ensures that potential fair lending concerns raised in complaints are escalated, reviewed, appropriately responded to, and that corrective action, if necessary, is initiated.

Training is an essential element of the Fair Lending Program because it helps to assure that fair lending risks, guidelines and standards are effectively communicated to and broadly understood by applicable employees across the organization. Union Bank’s fair lending training, which is overseen by its Compliance function in coordination with its Talent Development group, is designed to help employees understand what is expected of them and what role they play in executing the Fair Lending Program and delivering on Union Bank’s commitment to fair lending.

Compliance risk assessments are a key component of an effective compliance risk management program. Union Bank’s risk assessment process includes determining the level of inherent and residual risk, assessing the adequacy of controls, and developing actions plans to remedy any unacceptable levels of compliance risk. The results of a risk assessment influence decisions regarding monitoring, testing, training, other activities, and allocation of resources. The Fair Lending Risk Assessment is horizontal in nature and incorporates assessments of those LOBs for which fair lending regulations are considered key. The Fair Lending Risk Assessment is performed no less than annually.

7. Convenience and Needs of the Communities Following the Proposed Transaction

For the foregoing reasons, the Proposed Transaction will advance the convenience and needs of the communities to be served by the combined organization, while allowing the combined organization to strengthen its community relationships and positively contribute to the communities currently served by both banks.

Following the Proposed Transaction, the combined organization will continue the legacies of both banks in fostering a diverse and inclusive culture and business. This commitment to inclusion will improve the combined organization's ability to be innovative, enhance its ability to serve a broader group of customers, support efforts in building strong ties to its communities, and build strength within the company. In addition, continuing to embrace each bank's commitment to diversity will enable the combined organization to maintain its strengths as a lender, an employer and a provider of services to its customers.

D. Community Reinvestment Act Performance

As demonstrated by their respective records under the CRA, both U.S. Bancorp and MUFG Americas are strongly committed to serving the needs of their communities, particularly the needs of low- and moderate-income ("LMI") individuals and LMI communities.

1. U.S. Bancorp CRA Performance Record

U.S. Bancorp places a high priority on corporate citizenship and continues to strengthen the communities it serves through engagement in community development and outreach activities. U.S. Bancorp actively participates in the communities in which it operates through participation and sponsorship of a variety of community-based organizations, as well as through lending and investment initiatives, and has demonstrated a commitment to both the letter and the spirit of the CRA through both past and recent experiences. U.S. Bancorp (through U.S. Bank) continually reviews and assesses its performance related to CRA and intends to continue this practice to further enhance and reinforce its outreach efforts and key program components, to ensure the bank is meeting the credit needs of the communities within which it operates.

In its most recent CRA performance evaluation dated October 16, 2017 (the "2017 CRA Evaluation"), U.S. Bank received an overall rating of "Outstanding."[35] For its most recent CRA performance evaluation, U.S. Bank's performance level for each of the lending, service and investment tests was rated "Outstanding." Notably, U.S. Bank received a rating of "Outstanding" for the investment test in each of the 40 different states or MSAs in which it was evaluated, a rating of "Outstanding" or "High Satisfactory" for the lending test in each of these 40 states and MSAs, and a rating of "Outstanding" or "High Satisfactory" for the service test in all but one of these 40 states and MSAs. U.S. Bank also received a composite rating of at least "Satisfactory" in each such state and MSA. The 2017 CRA Evaluation covered the January 1,

[35] A copy of U.S. Bank's most recent CRA evaluation is available at the following link: https://www.occ.gov/static/cra/craeval/sep19/24.pdf

2012 through December 31, 2015 time period, with consideration of community development activities from April 1, 2012 through December 31, 2015.[36]

The OCC's rating for the 2017 CRA Evaluation was based on several key factors, including U.S. Bank's "excellent" lending performance. With respect to the lending test, the OCC found that U.S. Bank's community development activities had a significantly positive impact on lending performance in most of the 44 full-scope assessment areas ("AAs") reviewed in the 2017 CRA Evaluation. The OCC determined that borrower and geographic distribution were at least good in a majority of the full-scope AAs. The OCC found that U.S. Bank's lending activity in relation to bank resources and capacity was good to excellent in most of U.S. Bank's AAs, and no less than adequate in any AA. Further, the OCC found that U.S. Bank's use of flexible lending programs supports its overall lending performance and U.S. Bank offered a wide variety of lending products and programs that support affordable housing and economic development.

With respect to the investment test, the OCC recognized U.S. Bank's "excellent" performance and noted the volume of AA-specific investments in relation to bank capacity and available opportunity was excellent in almost all of U.S. Bank's full-scope AAs. OCC examiners found that U.S. Bank's investments are responsive to community development needs, with a focus on affordable housing and revitalization and stabilization initiatives.

With respect to the service test, the OCC considered U.S. Bank's performance to be "excellent" based on, among other things, the bank's retail delivery systems that are readily accessible in a majority of the bank's 44 full-scope AAs. OCC examiners also noted that, in addition to U.S. Bank's traditional branch network, the bank offered alternative delivery systems, including an extensive ATM network, online banking, interactive voice response, a call center, and mobile banking. The OCC found that these alternative delivery systems provide customers more flexibility in choosing delivery channels to suit their needs. OCC examiners also found that U.S. Bank's level of community development service activities to be at least "good" in most of the bank's full-scope AAs. Other specific highlights from U.S. Bank's 2017 CRA Evaluation include:

- *Community Lending*: During the 2017 CRA Evaluation assessment period, U.S. Bank originated 1,536 community development loans with direct (or potential) benefit to its AAs. These loans totaled nearly $7.4 billion. U.S. Bank also partnered through federal and state agencies to provide responsive lending products to support affordable housing for LMI borrowers, including Federal Housing Administration ("FHA").

  During the assessment period, U.S. Bank offered a wide variety of lending products and programs that support affordable housing and economic development. For example, U.S. Bank offered more than 65 affordable mortgage products involving both national and local programs, generating more than 204,000 loans totaling $38.4 billion. U.S. Bank's Mortgage Revenue Bond

[36] The OCC has announced that U.S. Bank's next CRA performance evaluation will be conducted in the first quarter of 2022.

Program Division partnered with various state and local housing finance agencies across the country to facilitate affordable homeownership, and the bank worked directly with municipalities offering these programs to prescreen and approve loan originators. U.S. Bank would subsequently purchase the transactions originated under these programs, which generally include FHA loans. U.S. Bank also participated in a number of nationwide, statewide, and local mortgage down payment and special assistance programs. During the evaluation period, the bank facilitated nearly 7,450 instances of assistance and more than $40 million of grants under these programs.

Through its Private Placement Bond Program, U.S. Bank offered financing for the development of affordable housing and community revitalization projects, which included 78 private placements totaling $655 million during the assessment period. U.S. Bank was also one of the one of the nation's top Small Business Administration (SBA) lenders during the assessment period, originating approximately 11,533 SBA loans nationwide, totaling $2.6 billion. U.S. Bank also financed small farms through the United States Department of Agriculture Farm Service Agency Guarantee Loan Program, with the bank originating 57 loans under this program over the assessment period totaling $18.5 million.

In California, OCC examiners found U.S. Bank to exhibit "excellent" lending performance in its full-scope AAs, based on good overall borrower distributions, good overall geographic distributions, at least adequate levels of lending activity, and the significantly positive impact of the bank's community development lending. Examiners also noted that the bank's excellent level of flexible lending California further supports lending performance. For example, the OCC found that U.S. Bank's lending levels in the Los Angeles AA reflect excellent responsiveness to area credit needs in relation to deposits and the competitive banking environment. During the assessment period, U.S. reported $10.0 billion home mortgage, business, and farm loans in the Los Angeles AA, and also originated $898 million in community development loans. Similarly, in the Sacramento AA, the OCC noted that U.S. Bank's lending performance was excellent based on an adequate level of lending activity, good overall geographic distributions, good overall borrower distributions, and the significantly positive impact of community development lending. During the assessment period, U.S. Bank reported $2.6 billion home mortgage, business, and farm loans in the Sacramento AA, and it also originated $269 million in community development loans.

- *Community Investment*: In the 2017 CRA Evaluation, OCC examiners found that the volume of U.S. Bank's investments in relation to bank capacity and available opportunity is excellent in most of the bank's full-scope AAs. U.S. Bank invested more than $4.9 billion inside its AAs during the assessment period, and the bank had another $2.8 billion prior period investments inside its AAs. Examiners found U.S. Bank's investments are responsive to community development needs, including a focus on affordable housing and revitalization and stabilization initiatives. U.S. Bank offered Low-Income Housing Tax Credits and mortgage-backed securities to provide funding for affordable housing investments. OCC examiners also considered U.S. Bank to be a consistent leader in investments through tax credit programs, including revitalization and stabilization investments funded with New Markets Tax Credits and Historic Tax Credits.

In California, OCC examiners found U.S. Bank to exhibit "excellent" investment performance in the bank's full-scope AAs during the evaluation period, based on investment activity and responsiveness to identified community development needs for affordable rental housing in the Los Angeles AA and affordable housing in the Sacramento AA. For example, in the Los Angeles AA, the OCC indicated that U.S. Bank demonstrated an excellent level of investment activity with 506 investments totaling $273.3 million during the assessment period, plus another 613 qualifying grants and donations totaling $6.7 million to at least 222 organizations. U.S. Bank also had 90 prior period investments with an aggregate outstanding balance of $82.7 million and eight unfunded commitments totaling $4.7 million. Similarly, the OCC recognized that U.S. Bank demonstrated an excellent level of investment activity in the Sacramento AA with 166 investments totaling $92.2 million during the assessment period, plus another 215 qualifying grants totaling $2.3 million to at least 97 organizations. U.S. Bank also had 131 prior period investments with an aggregate outstanding balance of $63.0 million.

- *Community Service*: As noted above, OCC examiners found the bank's retail delivery systems are readily accessible in a majority of the 44 full-scope AAs and noted U.S. Bank's alternative delivery systems for services. OCC examiners found that U.S. Bank's level of community development service activities were at least good in most of the bank's full-scope AAs. The OCC found that U.S. Bank offered activities to address a wide variety of community development initiatives, and are most responsive to financial education needs. Moreover, U.S. Bank senior leaders also served on the board of directors for 597 nonprofit organizations throughout the bank's footprint, and U.S. Bank opened more than 2,600 new accounts via its participation in 32 Individual Development Account programs over the assessment period.

  In California, OCC examiners found U.S. Bank provided good overall service performance in the full-scope AAs based on accessible retail delivery systems and at least good community development service performance. For example, the OCC found that the bank's community development service performance was excellent in the Los Angeles AA based on the bank's high level of services provided, strong leadership, and responsiveness to identified community needs for general financial education and small business technical assistance. The bank provided 479 qualified service activities involving 110 different organizations during the assessment period. The OCC indicated that strong leadership was evident through board or committee participation in 190 of those activities and nearly 3,200 related service hours. Similarly, the OCC determined that U.S. Bank's community development service performance was good in the Sacramento AA based on the bank's relative level of services provided and demonstrated leadership. The bank provided 122 qualified service activities involving 38 different organizations during the assessment period. OCC examiners noted that the banks' leadership was evident through board or committee participation in 55 of those activities and approximately 1,100 related service hours.

U.S. Bank has continued to build upon its community engagement program since the 2017 CRA Evaluation and, as described below, continues to be deeply committed to the central principles underlying its CRA program:

Community Lending

U.S. Bank is focused on low- and moderate-income households and communities and has expanded its products that are responsive to the community needs, including its home mortgage products, small business loans, economic development loans and loans for affordable housing. U.S. Bank's community lending activity since the assessment period for its 2017 CRA Evaluation from January 1, 2016 through December 2020 is as follows:

Loan Type	U.S. Bank (Nationwide)		U.S. Bank (California)	
	Total #	Total $ ($000)	Total #	Total $ ($000)
Small Business	1,654,832	36,896,286	272,536	6,879,229
Small Farm	56,637	2,345,750	4,813	73,342
HMDA	1,368,833	110,076,925	156,592	22,539,022
Community Development	2,938	9,334,255	452	2,762,223

Since the 2017 CRA Evaluation, U.S. Bank has continued to offer a wide variety of lending products and programs that support affordable homeownership for low- and moderate-income borrowers and communities. U.S. Bank offers more than 118 affordable mortgage products involving national and local programs. These products generated more than 381,373 loans totaling $133 billion from 2016 to 2020. U.S. Bank also participates in several nationwide, statewide, and local mortgage down payment and special assistance programs. From 2016 to 2020, U.S. Bank facilitated 7,942 instances of affordable homeownership-related assistance.

U.S. Bank's Housing Finance Agency Program Division partners with various state and local housing finance agencies across the country to facilitate affordable homeownership. U.S. Bank works directly with municipalities offering these programs to prescreen and approve loan originators. U.S. Bank subsequently purchases the transactions originated under these programs, which are typically FHA and conventional loan products.

U.S. Bank ranked as the second most active SBA lender nationally in number of loans made and was ranked ninth nationally in terms of dollar amounts loaned (as of SBA's fiscal year ending September 30, 2020). From 2016 to 2020, U.S. Bank generated 13,083 SBA loans nationwide totaling $2.4 billion.

Noteworthy examples of U.S. Bank's community lending activities since the 2017 CRA Evaluation include:

- In Sacramento, CA, U.S. Bank provided a construction bridge loan and Low-Income Housing Tax Credit equity to support the new construction of an 80-unit affordable housing development that will be affordable to tenants earning 20% to 50% of area median income. Twenty of the units will be used by the local health and human services agency to house tenants with serious mental illnesses who are experiencing homelessness.

- In Orange County, CA, USBCDC worked with a nonprofit community development leader that builds high-quality affordable housing and services to working families, seniors, veterans, formerly homeless, and those with special needs. Specifically, USBCDC provided Low Income Housing Tax Credit equity and a construction loan to support the rehabilitation of a former hotel into 70 units of permanent supportive housing targeting the formerly homeless, affordable at 30 percent of area median income. Twenty units are reserved for veterans and 35 units are reserved for persons living with a mental illness. In addition, USBCDC provided construction financing to support the rehabilitation of a 143-unit senior affordable housing development. Of the units, 141 units are affordable at 40 percent and 60 percent of area median income. U.S. Bank also provided revolving debt to provide for working capital expenses and pre-development costs.

- In Portland, OR, USBCDC provided New Markets Tax Credit equity, Low Income Housing Tax Credit equity and construction financing to support the development of Central City Concern's Blackburn Center project in Portland, which opened in July 2019. Blackburn Center combines a Federal Qualified Health Care clinic with housing and is located at a Portland MAX (light rail) stop. Transit-oriented developments provide low-income families with the transportation they need to access health care, jobs and educational opportunities. The site includes comprehensive support, integrated housing and clinical services with a focus on recovery, and mental health services and primary care. The clinic is expected to serve approximately 3,000 patients annually.

- In Seattle, WA, USBCDC provided Low Income Housing Tax Credit equity and construction financing to support the development of Western Avenue Senior Housing at Pike Place Market in downtown Seattle. The project includes 40 housing units serving seniors ages 55 and older earning no more than 30 percent and 50 percent of area median income. Seven of those units are designed as live-work spaces to accommodate low-income senior artists working in the Market. The project also includes a new neighborhood center that will connect neighbors to existing social services and space to host community wellness, educational, art and social activities. Western Avenue Senior Housing is part of the Pike Place Market Preservation and Development Authority's MarketFront project which redeveloped a surface parking lot into a mixed use development that provides parking, low-income housing, expanded social services, retail and restaurant space, and a new connection between the Market and waterfront. The project addresses a vital need for affordable housing in a city experiencing a homelessness crisis and severe lack of affordable housing.

Community Investment

U.S. Bank invests in the communities it serves, among other ways, by making low-income housing and New Markets tax credits, investing in multi-family affordable housing and area economic development bonds, purchasing CRA qualified Fannie Mae mortgage backed securities, and by providing equity equivalent investments to local non-profit organizations serving identified community needs. U.S. Bank continually reviews opportunities to deploy capital that can lead to successful economic development, job creation, community revitalization and support for the development or retention of affordable housing.

U.S. Bank's investment activity since the assessment period for the 2017 CRA Evaluation, from January 1, 2016 through December 31, 2020, is as follows (with the following totals including new investments made during the evaluation period and investments made during a prior evaluation period that are still outstanding and continue to provide benefit to the community):

	U.S. Bank (Nationwide)		**U.S. Bank (California)**	
	Total #	**Total $ ($000)**	**Total #**	**Total $ ($000)**
Community Development Investments	53,236	10,863,497	9,706	1,903,757

Noteworthy examples of U.S. Bank's community investment activities since the 2017 CRA Evaluation include:

- In Los Angeles, CA, in 2021 U.S. Bank Foundation Market Impact Fund grants were given in response to the COVID-19 crisis to support local market relief and recovery efforts. In Los Angeles, U.S. Bank Foundation provided a Market Impact Fund grant to PACE (Pacific Asian Consortium in Employment), a community development corporation that focuses on areas including entrepreneurship and economic inequity in diverse communities throughout Los Angeles. PACE used the funds to support their business counselors who worked to help small businesses who were impacted by COVID-19. This funding helped the owner of Zuhuri Beauty, a skin care line originally created for African American women, to weather the storm during COVID-19 by keeping her part-time staff and continuing product development.

- Also in Los Angeles, CA, USBCDC provided New Markets Tax Credit equity to support the construction of 23,000 square foot multi-purpose state-of-the-art sports/activities center and community gathering space in Los Angeles' Little Tokyo neighborhood. The project provides the Little Tokyo community with a critically needed safe, positive, and accessible community space. The center replaces a surface parking lot with a community asset for residents of all ages including the low-income youth and families who reside in nearby affordable housing projects. The facility is projected to support an estimated 30,000-40,000 visits annually.

- In San Diego, CA, USBCDC provided Low Income Housing Tax Credit Equity to support the development of North Park Apartments, San Diego's first LGBTQ-affirming housing development for seniors. The project, which opened in 2017, is the result of years of meetings with members of the community which highlighted a gap in the provision of safe and affordable housing for LGBTQ seniors. The 76-unit development, affordable to seniors earning no more than 50 percent and 60 percent of area median income, is near downtown San Diego and close to public transportation, hospitals, and the LGBT Community Center, which provides residents in need with case managers who help connect them with social, medical and mental health services.

- In Southern California in 2019, the Girl Scouts of San Gorgonio received $50,000 through U.S. Bank Foundation's inaugural Market Impact Fund to support the new U.S. Bank Environmental Learning Lab. The lab, located at the Girl Scouts' Skyland Ranch camp in the Inland Empire region of Southern California, provides Girl Scouts of San Gorgonio members with opportunities to learn about alternative energy, forest management, astronomy, geology, hydrology and more.

- Also in Southern California in 2020, Riverside Art Museum's "Artist in Residence" program was awarded a U.S. Bank Foundation Market Impact Fund award this year, highlighting the work of a young Latinx artist whose murals have become a catalyst for neighborhood revitalization, bringing together residents and business owners together to rejuvenate store fronts in a way that reflects neighborhood culture while contributing to the economic vitality of the area.

- In Oakland, CA, USBCDC has partnered with the East Bay Asian Local Development Corporation to develop three projects since 2017 that offer almost 300 affordable units and social services to low income families and veterans who were homeless, as well as easy access to public transportation. These projects include:

    - Casa Arabella, an affordable 94-unit transit-oriented development adjacent to the Fruitvale BART Station. It has 20 units set aside for formerly homeless U.S. military veterans, who are provided with intensive case management services. USBCDC provided Low Income Housing Tax Credit equity. Casa Arabella is a 2021 Urban Land Institute Americas Awards for Excellence Finalist;

    - Frank G. Mar Apartments is a 119-unit mixed use development built in 1990 to address a need for affordable homes in Chinatown and Downtown Oakland. U.S. Bank provided Low Income Housing Tax Credit Equity and construction financing to support the rehabilitation of this development; and

- Madison Park Housing is 98-unit building originally built in 1908. The building suffered damage during the 1989 Loma Prieta earthquake, and the building sat vacant for six years before it was acquired by EBALDC and renovated in 1995. Located across from Lake Merritt BART station, Madison Park Apartments is transit-friendly and within a short walk of the Oakland Museum of California, schools, shopping, Laney College, and parks. Madison Park Apartments is listed on the National Register of Historic Places. U.S. Bank is provided Low Income Housing Tax Credit equity to support a substantial rehabilitation of the development.

- In Minneapolis-St. Paul, MN in November 2020, USBCDC provided more than $4 million in New Markets Tax Credits to help St. Paul-based non-profit Hmong American Partnership (HAP) purchase land and build a new facility, HAP Transportation, that operates 70 school buses. In addition, HAP was able to renovate a 32,000-square-foot building for their HAP Academy of Opportunities and Industrialization Center, which customizes job training and services in the health care, technology, transportation, and manufacturing fields. HAP was founded in 1990 as a refugee settlement for the growing Hmong population, and it normally provides social services to more than 25,000 Hmong, Southeast Asian, and other immigrant and refugee communities each year. During the COVID-19 pandemic, it ended up serving more than 50,000 people who needed help because of job loss, housing or food insecurity. Many needed information or referrals related to COVID-19. The project helped to adapt its service model to address the changing needs of the community resulting from the pandemic.

- In Chicago, IL, U.S. Bank has invested $120 million since 2009 in Chicago’s Pullman neighborhood. The Pullman neighborhood was once home to the Pullman Car Company, which was the largest employer of African Americans in the nation during the early 20th century and its union was instrumental in the Civil Rights Movement. By the early 21st century, however, the neighborhood was impacted by the globalizing industrial economy as many manufacturing jobs disappeared and unemployment skyrocketed. Yet Pullman has adapted over the past decade, undergoing a revitalization driven by entrepreneurship and collaboration. U.S. Bank’s $120 million investment has also catalyzed nearly $400 million in total investments in the Pullman community, including additional outside investment, as well as the creation of nearly 1,500 jobs (as of January 2021).[37] Notable projects financed in the Pullman community during the 2016-2020 CRA examination cycle include:

[37] In October 2020, the Rustandy Center for Social Sector Innovation at the University of Chicago Booth School of Business and Chicago Neighborhood Initiatives published an impact investing case study that examined the history, investments, and outcomes of U.S. Bank's place-based investments in the Pullman community. The case study documents the journey and lessons from U.S. Bank’s place-based investment and explores how it can be replicated in other cities and communities.

- the development of a Whole Foods Midwest cold storage warehouse/distribution facility in Pullman Park, with financing supported by construction loans and New Markets Tax Credit equity.

- the development of the U.S. Bank Pullman Community Center, with financing supported by New Markets Tax Credit equity. The community center, which is owned by Chicago Park District and Roseland Youth Center, has transformed a lot that was once home to a shuttered steel plant into a 135,000 square foot facility that will serve hundreds of children with after-school tutoring, sports, and other activities. Chicago Housing Authority residents will have priority and free access to a segment of programming, with free transportation provided from nearby housing complexes.

Community Service

The Applicant provides numerous services to reach all of its communities. U.S. Bank's community service activity since the assessment period for the 2017 CRA Evaluation, from January 1, 2016 through December 31, 2020, is as follows:

	Financial Education and Volunteer Activities		**Nonprofit Board and Committee Services (#)**
	Activities (#)	**Participants (#)**	
U.S. Bank (Nationwide)	8,202	657,750	10,292
U.S. Bank (California)	1,177	68,293	1,582

Noteworthy examples of U.S. Bank's community service activities since the 2017 CRA Evaluation include:

- In Minneapolis, MN, after three U.S. Bank branches were severely damaged during the protests and civil unrest that resulted from the George Floyd tragedy in 2020, U.S. Bank continued to support customers and small businesses by establishing a mobile banking unit in the Lake Street/West Broadway area to ensure all customers have access to the banking services they need and added an ATM on West Broadway, through which the bank has been refunding foreign ATM fees for customers in the area. In June 2020, U.S. Bank announced its commitment to rebuilding the damaged branches. Specifically:

    - The U.S. Bank branch location at 919 E. Lake Street suffered significant structural damage and was demolished in fall of 2020. In its place, U.S. Bank will build a stand-alone flagship branch with a community gathering space on the site. U.S. Bank expects to have this branch open by the end of 2021.

- Because of the parcel size and proximity to retail services and light rail transit of the U.S. Bank branch location at 2800 E. Lake Street, U.S. Bank agreed with community leaders that the best use for this site is a development with a combination of housing and retail, rather than simply a stand-alone branch building. In the Spring of 2021, U.S. Bank began the site donation process for the 2800 E. Lake Street location by opening a RFP. Extra effort was put into ensuring nonprofit developers and developers of color had access to the opportunity to bid and the questions within the RFP placed a strong emphasis on equitable community development without displacement as well as equitable community engagement in the planning of the development. Once developed, U.S. Bank will have an ATM onsite and plans to provide financial counseling for individuals and small businesses at this location. Redevelopment of this site will likely take until 2023 or 2024 to be completed. An interim branch is being developed at nearby 36th and Lake Street, and is expected to open by November 2021.

- U.S. Bank's branch on West Broadway in North Minneapolis was damaged but able to reopen in July 2021. ATM services have also been restored at this location.

- U.S. Bank established a partnership with Main Street America™ ("Main Street America") in 2016. Main Street America is a program of National Main Street Center, a subsidiary of the National Trust for Historic Preservation. The National Main Street Center leads a movement committed to strengthening communities through preservation-based economic development in older and historic downtowns and neighborhood commercial districts. The national network includes more than 1,600 grassroots organizations and 40 state, city and county-level Main Street Coordinating Programs. U.S. Bank supports Main Street America through philanthropy, and employee engagement and has contributed nearly $400,000 to Main Street America in grants and corporate contributions over the last four years. Main Street America organization managers from Illinois, Iowa and Missouri were identified to partner with U.S. Bank representatives to provide opportunities to build and deepen relationships and to provide local bank expertise supporting economic vitality and capacity building in rural markets. In 2020, U.S. Bank offered educational online coursework to Main Street America managers from California, Illinois, Iowa and Missouri and provided scholarships for up to 20 Main Street America managers to attend the Leadership Development Workshop at the 2020 Main Street Now conference. U.S. Bank was also a sponsor of the 2020 Main Street Now conference.

- In California, U.S. Bank employees serve as board and committee members for nonprofit organizations that work in the areas of affordable housing development, homeownership, financial education, youth services, and small business development. Volunteer activities included resume writing classes and career readiness seminars to clients of nonprofit organizations working with unemployed and underemployed adults, financial education sessions for K-12 students, and financial education for adults on topics including budgeting, financial fraud prevention, small business, and homebuyer education. An example of volunteerism in action is Brittny Ferguson, a U.S. Bank branch manager in San Diego, who spent more than 160 hours volunteering with organizations such as Junior Achievement, Second Chance, and the Nick Cannon Foundation. U.S. Bank employees volunteer their time to provide similar services across its footprint.

- U.S. Bank has supported TELACU Education Foundation since 2002, providing $500,000 throughout its 20-year relationship. In 2020, U.S. Bank partnered with TELECU to host a virtual event with 18 bankers providing mock interviews for underserved Hispanic college age youth. U.S. Bank plans to make this an ongoing effort given the success of the program.

- Since 2019, employees in the Los Angeles area have served nearly 200 volunteer hours to A Place Called Home ("APCH"), an organization that provides arts, education and wellness for young people (89% Hispanic, 9% Black) in South Central Los Angeles, helping them improve their economic conditions and lead healthy, fulfilling and purposeful lives. In May 2021, Los Angeles's Consumer and Business Banking team partnered with APCH to facilitate "Get Your Money Right," a virtual nine-week program using FDIC curriculum to teach key financial education concepts. For the final session, U.S. Bank's CEO Andy Cecere joined to connect with the students on the topic "A Roof Over Your Head," which provided basic mortgage terms and information on renting versus buying a home to 15 students. U.S. Bank has supported APCH since 2007, with a total of more than $150,000 from the U.S. Bank Foundation. Executive support is provided by U.S. Bank's senior vice president and Los Angeles Consumer and Business Banking market leader, who serves on the APCH board of directors as treasurer.

Additional Activities

U.S. Bank recently donated a branch location in Seattle, Washington for community use that will serve as the future site of the Skyway Resource Center. Slated to open in 2023, this center will be a multi-service resource hub providing the neighboring community access to services in health and wellness, leadership, and educational advancement. An active U.S. Bank ATM will be maintained in the current building and will be worked into the development of the new Resource Center. Over the last year, U.S. Bank has expanded its support in the Skyway community by donating $50,000 for rent and utility support for Skyway residents and providing a $50,000 grant to fund a new immersion program for elementary and middle school students in the Skyway/West-Hill neighborhoods.

In 2017, U.S. Bank created a national Community Advisory Committee ("CAC") to engage communities the Bank serves, with a focus on LMI consumers, to inform product and program development focused on these communities. The CAC is part of U.S. Bank's commitment to addressing key community development issues and maintaining its leadership in providing high-quality, responsible products and services that meet the diverse needs of its communities. The CAC is comprised nonprofit CEOs and Executive Directors from across our footprint that convene on a semi-annual basis to discuss specific developments and provide recommendations on issues related to U.S. Bank's ability to effectively serve LMI and under-resourced consumers and communities.

Through the U.S. Bank Foundation and philanthropic corporate contributions, U.S. Bank also conducts the following activities that support U.S. Bank's CRA program:

- *Community Possible*: Community Possible is U.S. Bank's unified giving and engagement strategy and focuses on closing the gaps between people and possibility in the areas of Work, Home and Play. U.S. Bank invests in innovative programs designed to serve local community needs, partnering with organizations that focus on economic and workforce advancement, safe and affordable housing, and connecting to communities through arts and culture. U.S. Bank's local grants are administered by trained grant makers in key markets, who work within the communities it serves. U.S. Bank Foundation also supports national organizations; whose work spans our U.S. Bank footprint. These organizations are aligned with Community Possible but also have focus on racial and economic equity, disaster relief and other critical needs. In addition, U.S. Bank provides special funding rounds to address specific focus, such as .the Market Impact Fund and Rebuild and Transform program. Launched in 2018, the Market Impact Fund is a competitive program that awards larger, more impactful grants to high performing non-profit organizations across the U.S. Bank footprint. The Rebuild and Transform program is described in the "Advancing Racial Equity" section.

- *Latino NonProfit Accelerator through the Latino Community Foundation ("LCF")*: Since 2019, U.S. Bank has funded the ground-breaking Latino NonProfit Accelerator through the LCF which advances the growth, reach, and vision of a cohort of Latino-led organizations by equipping them with the fundraising, marketing, and evaluation tools they need to build confidence, develop stronger pitches, and secure new philanthropic support. Each nonprofit is matched with world-class experts and receives funding to help them meet their personalized goals. Cohort leaders attend four retreats, receive deep dive sessions, and build community. Demo Day, the culminating event for the cohort, gives leaders a platform to share their vision for change and raise additional revenue. LCF is strengthening community organizations to be better positioned to fulfill their missions—missions that create opportunities for at-risk youth to reach their full potential, that build community resilience, and that promote healthy families and thriving local economies. LCF's ultimate goal is to ensure that grassroots nonprofits grow into anchor institutions that leverage the strength, power, and untapped leadership potential of the Latino community.

- *Employee Matching Gift Program*: The U.S. Bank Foundation matches qualifying contributions of cash and stock made by U.S. Bank employees to nonprofit organizations or higher education institutions. This program matches donations from a minimum of $50 up to an annual maximum of $1,000 per employee, or

$3,000 for employees serving on nonprofit boards. The U.S. Bancorp Board of Directors are eligible for $5,000 in matching gifts annually.

- *Dollars for Doing Program*: This program supports employee volunteer work in their communities with monetary donations to nonprofits where they volunteer. The program matches employee volunteer time at $5 per hour up to a total of 40 hours per year.

U.S. Bank Philanthropic Giving 2016-2020					
	2016	**2017**	**2018**	**2019**	**2020**
Grants	$23,742,277	$23,786,621	$22,216,736	$23,239,240	$32,155,829
Employee Matching Gifts	$2,480,578	$2,485,162	$2,564,672	$2,825,075	$4,869,428
Corporate Contributions	$27,563,256	$32,140,610	$32,106,579	$34,229,765	$30,459,591
Total	$53,786,111	$58,412,393	$56,887,987	$60,294,080	$67,484,848

2. Union Bank CRA Performance Record

Union Bank strives to be an integral partner in the communities it serves, and is committed to strengthening the economic health of its communities and improving the lives of individuals in its communities. Through its community outreach, affordable product and service offerings, bank initiatives, community partners and financing programs, Union Bank helps to create a sustainable dynamic for positive change, development and growth in its communities.

In its most recent CRA performance evaluation dated July 8, 2019 (the "2019 CRA Evaluation"), covering an assessment period of calendar years 2015 to 2018 for the retail bank, Union Bank received an overall CRA performance rating of "Outstanding."[38] For its most recent CRA performance evaluation, Union Bank's performance level for each of the lending and investment tests was rated "outstanding," while its performance level for the service test was rated "high satisfactory." For each state or MSA in which it was evaluated (including those states or MSAs into which the Applicant is expanding as a result of the Proposed Transaction), Union Bank received an overall rating of at least "Satisfactory."

With respect to the lending test, the OCC noted that Union Bank had an "excellent" volume of loans originated or purchased within the AAs and had exhibited "excellent" geographic distribution of home mortgage and small business loan originations and purchases across all states. The OCC also noted that Union Bank was a leader in making community development, and the bank's community development lending performance had a significant

[38] A copy of Union Bank's most recent CRA evaluation is available at the following link: https://www.occ.gov/static/cra/craeval/Dec20/21541.pdf

positive impact on its lending test rating. In California, where Union Bank received an "outstanding" under the lending test, the OCC noted that the overall geographic distribution of Union Bank's home mortgage and small business loan originations and purchases was "excellent". Moreover, OCC examiners found Union Bank to be a leader in making community development loans in California AAs and that Union Bank's lending levels reflected good responsiveness to AA credit needs.

With respect to the investment test, the OCC noted that Union Bank demonstrated an "excellent" level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, often with the bank in a leadership position. Moreover, OCC examiners noted that Union Bank exhibited good responsiveness to credit and community economic development needs, including significant use of innovative and complex investments to support community development initiatives. For instance, examiners found that Union Bank was a leader in financing affordable housing projects, including construction, take-out, and affordable housing tax credit investments. In California, for example, the OCC found that Union Bank had an excellent level of qualified community development investments and grants, particularly those that are not routinely provided by private investors, often in a leadership position. Further, examiners noted that Union Bank made significant use of innovative and/or complex investments to support community development initiatives and was a leader in creating complex investments combined with development loans and low-income housing tax credits.

Finally, with respect to the service test, the OCC noted that Union Bank's retail banking services are delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels, and that Union Bank's. In California, OCC examiners found Union Bank's branch distribution to be "good" and also noted that Union Bank provides a "good" community development services.

Since Union Bank's 2019 CRA Evaluation, the bank has continued its strong overall CRA performance throughout its assessment areas. Since the 2019 CRA Evaluation through to June 30, 2021, Union Bank has made more than 39,000 CRA-reportable loans, including more than 20,000 small business loans and more than 19,000 PPP loans. During this period, Union Bank has made approximately $906 million in community investments, and the bank funded 2,835 donations totaling over $35 million, with the vast majority in its assessment areas. Moreover, Union Bank continues to provide products and services to individuals of all income levels and through alternative delivery methods such as online, telephone and mobile channels, and its community development service hours have significantly increased since the 2019 CRA Evaluation to approximately 13,744 service hours as of July 30, 2021.

In March 2016, Union Bank issued a Community Service Action Plan ("CSAP"), which was the roadmap to the reinvestments Union Bank intended to make in the communities it serves from 2016 through 2020. The CSAP outlined specific, measurable goals and commitments for Union Bank's community-related investments and activities across 11 tenets of focus that were carefully selected to address emerging community needs in the current dynamic environment. The 11 tenets include:

- *Economic Development*: Union Bank committed to (i) increasing CRA investments by $45 million over the five-year term to $100 million in total investments in Small Business Investment Companies ("SBIC") and like entities, (ii) expanding its Equity Equivalent Loan ("EQ2") Program and community development lending from $10 million by at least $30 million with a maximum portfolio of $55 million by 2020, and (iii) providing $2.5 billion in loans to non-profits which address the health, human services, economic development, environmental sustainability, affordable housing and education needs of LMI individuals and neighborhoods over the five-year period.

- *Small Business Lending*: Union Bank committed to supporting small businesses through a major lending effort, totaling $7 billion in CRA-reportable small business lending over the five-year commitment period, including (i) extending its multi-year Request for Proposals grant program to fund $750,000 per year in Small Business Technical Assistance through the term of the plan, (ii) establishing three Small Business Technical Resource and Assistance Centers ("TRACs") to increase small business loans to spur local economic growth, (iii) continuing its Business Diversity Lending program that provides working capital to credit-worthy small businesses that are at least 51% owned and actively managed by minorities, women and veterans to stimulate the growth of eligible emerging enterprises, and (iv) continuing to refer to the CDFI community-eligible small business loans at a rate of 30%.

- *Multi-Family Affordable Housing Lending*: Union Bank committed to (i) allocating $1.75 billion to finance acquisitions, construction, rehabilitation, and retention of multi-family affordable housing units including urban transit oriented and rural developments throughout the bank's footprint, (ii) setting aside $5 million in new predevelopment financing in the form of EQ2 investments to be funded over the next five years in order to strengthen affordable housing development, and (iii) growing new relationships in the affordable housing community.

- *Single-Family Affordable Housing Lending*: Union Bank committed to (i) allocating $3.5 billion in CRA-related mortgage lending over the five-year term, (ii) reaching a goal to make at least 25% of the number of loans reportable under the Home Mortgage Disclosure Act toward LMI community borrowers, and (iii) extending $500,000 of its multi-year RFP grant making program to fund homeownership counseling for first-time homebuyers.

- *Branch Technology and Deposit Products*: Union Bank committed to (i) maintaining its Union Bank Access Account, an innovative and low-cost product designed for LMI individuals, (ii) promoting savings throughout its marketplace through participation in programs like America Saves, Earned-Income Tax Credit programs, and Volunteer Income Tax Assistance sites, and (iii) developing and using technology to deliver effective, efficient, economical and accessible financial services to the LMI community.

- *Philanthropy*: Union Bank committed to (i) making a commitment to philanthropy of at least $15 million annually, including $1.25 million set aside for technical assistance previously listed within small business and mortgage lending, (ii) increasing from 60% to 65% the donations to benefit LMI communities, (iii) directing at least 90% of its charitable giving in support of the following five strategic categories: affordable housing, community economic development, education, environment, and human services, and (iv) continuing its support of employee volunteerism by providing up to three days (24 hours) of paid time off for eligible nonexempt staff, and encourage board service by its executives on a pro-bono basis.

- *Environmental Stewardship*: Union Bank committed to (i) reducing its greenhouse gas emissions by 14% over five years, and (ii) providing $25 billion in environmental financing and investments over five years, with 25% to benefit LMI communities.

- *Community Advisory Board*: Union Bank committed to (i) expanding its Community Advisor Board membership to ensure equitable representation beyond its legacy footprint, and (ii) seeking nominations from community-based organizations, civic leaders, and others.

- *Supplier Diversity*: Union Bank committed to (i) directing an overall diverse spend goal of 15.5% (beginning at 13% increasing 0.5% per year), (ii) within California, directing a diverse spend goal of 17.5% (beginning at 15% increasing 0.5% per year), (iii) establishing a goal of 15% (of total RFP candidates) with annual .05% incremental of DBE to be included in the procurement RFP process to reach 17.5%, (iv) continuing its formal technical assistance initiatives with implementation to be phased in over the five-year commitment period beginning with Corporate Real Estate, (v) sponsoring entrepreneurial management development programs, (vi) supporting organizations dedicated to veterans' small business development through an RFP process to provide funds for technical assistance, capital through lending programs, and qualified certifications status, and (vii) committing to hosting "Let's Do Business" vendor events and/or Cyber Crime Seminars within the organization's footprint.

- *Innovation*: Union Bank committed to (i) allocating funds to support development and ongoing research to enhance economic impact, wealth building, financial literacy, housing and support to small business in its communities, and (ii) continuing to act as a catalyst for community partnerships between the public/private sectors to address the needs of underserved communities in the markets it serves and nonprofits.

- *Workforce and Board Diversity*: Union Bank committed to (i) publishing annually its workforce diversity composition in keeping with EEOC standards, (ii) providing the diversity composition of its Board of Directors, and (iii) posting both workforce and Board demographics on its public website.

Union Bank recently completed the end of the commitment period under its 2016 CSAP, having experienced tremendous success in fulfilling its commitments (and having exceeded the CSAP's original funding goal). Union Bank is currently in the process of evaluating potential tenets for a new CSAP that would cover 2022 through 2025.

In recent years, Union Bank has deepened its commitment to philanthropy in LMI communities. In March 2020, Union Bank announced that in response to the impact of COVID-19, it would distribute $3 million in donations to help sustain small businesses and social safety net programs, particularly those in LMI communities. In June 2020, Union Bank committed $10 million to launch a Community Recovery Program aimed at addressing social and racial injustices in the United States. This initiative is specifically focused on building economic stability, including supporting access to capital, entrepreneurship, job retention and retraining. Union Bank is committed to reinvesting in the communities where it operates, particularly those communities marginalized through social injustice. Through this financial commitment, the bank expects to alleviate some of the economic and emotional stress triggers facing these communities. Funds will be directed toward the following relief initiatives:

- *Small Business Recovery Efforts ($5 million)* – Working in close partnership with business accelerator programs and micro-lending initiatives in traditionally underserved communities, minority-owned small businesses will have greater access to capital and technical assistance programs to help scale their businesses.

- *Rebuilding the Workforce ($3 million)* – Supporting programs that provide immediate and long-term work re-entry assistance and the growth of "green jobs."

- *Building Financial Security ($2 million)* – Continued support of financial education and innovation hubs and ongoing support for social safety net services.

3. CRA and Consumer Protection Compliance Following the Proposed Transaction

Following the Proposed Transaction, the combined organization intends to leverage the CRA and consumer protection compliance strengths of both banks to create a strong and comprehensive combined compliance program.

U.S. Bank and Union Bank have demonstrated a commitment to serving the needs of their communities: each of U.S. Bank and Union Bank have received an overall rating of "Outstanding" for at least two of the applicable bank's last three CRA performance evaluations. The combined organization will be committed to continuing to serve the existing programs under the CRA of each bank. U.S. Bank and Union Bank believe the synergies between the existing CRA programs of U.S. Bank and Union Bank will be of benefit to the communities in the combined footprint with the combined organization being well positioned to continue providing services to LMI communities served.

The combined organization intends to integrate the CRA program of Union Bank into that of U.S. Bank, applying enhancements as appropriate, to build a CRA program for the combined organization that represents a further enhancement to the already strong CRA records of each bank. The existing CRA programs of both U.S. Bank and Union Bank currently have significant board and management oversight. The anticipated CRA assessment areas of the combined organization are expected to include all current assessment areas of both the Applicant and Union Bank (after giving effect to the Excluded Assets and Liabilities Transfer). In particular, U.S. Bank expects to add the El Centro MSA, Fresno MSA, Hanford-Corcoran MSA, and Madera MSA to its CRA assessment areas in California, as well as Inyo and Mono counties to its non-MSA CRA assessment areas in California.

The combined organization similarly intends to evaluate and integrate the Compliance, Fair Lending and UDAAP programs of Union Bank into those of U.S. Bank and, adopting best practices from each bank's processes, policies and procedures. The fair lending program of both banks currently operate under robust compliance management programs with an appropriate risk framework that includes policies and procedures, training materials, internal controls, monitoring, complaint management and corrective action to detect, prevent and correct potential violations of consumer protection laws. The combined organization will continue the strong commitment to compliance demonstrated by U.S. Bank and Union Bank and will ensure that the programs for the combined organization that represent further enhancement to the already strong program of each bank commensurate with the combined organization's size, complexity and risk profile.

With respect to community outreach activities, U.S. Bank notes that it has worked alongside its colleagues, neighbors and friends to build an understanding and shared focus on improving its communities. With this history, U.S. Bank plans to meet with community organizations across the state of California to ascertain and address the needs of their communities, including through executive listening sessions, and to build an understanding of how U.S. Bank can ensure continued cooperation with those community organizations to build a better, more equitable California for all residents. Customers will be able to call U.S. Bank's 24-hour toll-free customer support telephone number to address questions regarding their financial accounts and their banking options following the proposed Bank Merger, with U.S. Bank's contact center staff also available to help address questions that bank customers may have regarding the proposed transaction.

Accordingly, following the Proposed Transaction, and particularly in light of the similarly community- and customer-centric cultures of U.S. Bank and Union Bank, the combined organization will remain committed to the communities in which it operates while executing a strong CRA and consumer protection compliance program in accordance with sound business practices and regulatory requirements.

E. Anti-Money Laundering and Sanctions Compliance

Under Section 3(c)(6) of the BHC Act, the Board must consider in every application under Section 3 of the BHC Act "the effectiveness of the company or companies in combating money laundering activities."[39] Both U.S. Bancorp and Union Bank have comprehensive anti-money laundering and sanctions programs that are reasonably designed to ensure compliance with the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, and all applicable

[39] 12 U.S.C. § 1842(c)(6).

regulations and regulatory guidance, as well as compliance with requirements administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"). In addition, each bank has qualified, dedicated personnel who are responsible for administering such programs. During the due diligence process, the AML team members from each bank used a risk based approach to review and assess key risks related to AML. Both programs are currently designed to meet the five pillars requirements and will be further enhanced in the Proposed Transaction.

U.S. Bancorp

U.S. Bancorp has a centralized Enterprise Financial Crimes Compliance ("EFCC") team that develops, maintains and tracks implementation of Anti-Money Laundering ("AML"), Economic Sanctions ("Sanctions") and Know Your Customer ("KYC") policies for U.S. Bancorp, its domestic and international wholly-owned and partly-owned subsidiaries and affiliates, including joint ventures.

The written AML Policy of U.S. Bancorp sets forth AML and counter terrorist financing requirements. EFCC developed the AML Policy to comply with laws and regulations of the United States and all countries in which U.S. Bancorp conducts business, including the Bank Secrecy Act ("BSA"), the Money Laundering Control Act ("MLCA"), and the USA PATRIOT Act (collectively, "AML Regulations"). The AML Policy sets forth applicable AML roles and responsibilities, requirements and governance and is organized around the five pillars for an AML program. U.S. Bancorp also has a written Sanctions policy that sets forth Sanctions requirements. EFCC has developed this policy to comply with Sanctions in the United States and all countries in which the U.S. Bancorp conducts business, including those from OFAC. The Sanctions Policy similarly sets forth applicable Sanctions roles and responsibilities, requirements and governance, and is designed to prevent the opening of accounts or the execution of transactions for, on behalf of, or for the benefit of, a sanctioned individual, entity, country, or organization in violation of sanctions regulations. In conjunction with U.S. Bancorp's AML and Sanctions policies, EFCC maintains a written KYC policy and conducts oversight over execution of the KYC policy's requirements, which includes oversight processes, procedures, and controls that implement the KYC requirements under applicable laws and regulations, including the BSA, the MLCA, and the USA PATRIOT Act.

The board of directors of U.S. Bancorp has designated a Chief EFCC Executive, who oversees and leads EFCC, including the implementation of, and compliance with, U.S. Bancorp's AML, Sanctions and KYC policies, which results in immediate/timely screening, detection, and reporting. Additionally, the board of directors and management understand and support a culture of compliance for all areas of U.S. Bancorp, and specifically for AML, Sanctions and KYC, and U.S. Bancorp embraces the highest standards of ethics, integrity, risk management and compliance, and remains committed to maintaining its controls and processes across the enterprise to protect all of its stakeholders.

U.S. Bancorp has effective enterprise-wide AML, Sanctions and KYC governance policies and procedures and compliance resources. EFCC also maintains automated controls relating to U.S. Bancorp's AML, Sanctions and KYC policies, including automated systems to monitor ongoing transaction activity. U.S. Bancorp's AML, Sanctions and KYC programs require risk assessments of potential money laundering risk, robust customer due diligence requirements, systems of internal controls reasonably designed to achieve compliance with legal and regulatory requirements, training and awareness processes and risk-based independent testing of the program.

Union Bank

Union Bank's BSA/AML Program is reasonably designed to ensure compliance with the AML Regulations and Sanctions administered by OFAC. Specifically, Union Bank's Program meets each of the five pillars of the BSA, including: (a) a designated BSA Officer; (b) a system of internal controls; (c) a comprehensive training program; (d) Independent testing; and (e) a Customer Due Diligence program. Union Bank's designated BSA Officer includes staffing adequacy and monthly tracking of key performance and risk indicators to ensure appropriate staffing of key functions. The system of internal controls includes a comprehensive annual Risk Assessment, documented U.S. Addendum and business operating manuals, monthly oversight through governance committees, data governance framework, including data quality monitoring program. Union Bank's AML and Sanctions training program includes an additional 12-hour continuing professional education training requirement for all team members of the Americas Financial Crimes Office. Union Bank's Customer Due Diligence Program includes CIP, beneficial ownership, documentary and non-documentary verification, customer risk rating, negative news and Sanctions screening, enhanced due diligence for high risk customers, transaction monitoring (manual and automated) on Union Bank customers and transactions, Questionable Activity Referrals and SAR filing, and periodic reviews based on risk rating. Union Bank's Independent Audit function is responsible for the independent testing pillar.

For additional information regarding Union Bank's BSA/AML Program, please see Confidential Exhibit 12.

While the Applicant anticipates maintaining its policies and procedures following consummation of the Proposed Transaction (including AML and Sanctions policies and procedures), the Applicant will continue to review its policies and procedures (as well as the AML and Sanctions policies and procedures of Union Bank during the transition period between the completion of the Acquisition and the consummation of the Bank Merger) to ensure a consolidated AML and Sanctions compliance program that is appropriate for the risk profile of the combined organization.

F. Interstate Banking and Deposit Cap Analysis

Section 3(d) of the BHC Act, as amended by the Riegle-Neal Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), generally provides that the Board may approve an application by a bank holding company that is "well capitalized and well managed" to acquire control of a bank "located" in a state other than the "home state" of such bank holding company, without regard to whether the transaction is prohibited under the law of any state. For purposes of Section 3(d), an acquiring bank holding company's "home state" is the state in which, as of the later of July 1, 1966, and the date it became a bank holding company, the total deposits of its banking subsidiaries were largest.[40] In addition, for purposes of Section 3(d), the Board considers a target bank to be "located" in the states in which the bank is chartered or headquartered or operates a branch.[41] Under these standards, for purposes of Section 3(d), the "home state" of U.S. Bancorp is Wisconsin and Union Bank is "located" in California, Oregon, and Washington.[42]

U.S. Bancorp is "well capitalized" and "well managed" for Section 3(d) purposes. As evidenced in the current and pro forma risk-adjusted regulatory capital information provided with this Application, U.S. Bancorp is and will continue to be well capitalized for purposes of the BHC Act and Section 225.2(r) of Regulation Y. Furthermore, U.S. Bancorp believes that it has a strong management team, the quality and competence of which is reflected in its strong capital ratios, risk management and governance programs and overall revenue-generating capability and financial condition.

As discussed below, the Proposed Transaction also meets other requirements of Section 3(d) relating to the age of the target bank, concentration limits, and community reinvestment compliance.

1. Age of the Target Bank

The Board is required to respect a host-state law prohibition on interstate acquisitions of banks that are less than five years old. No issue is raised by the Proposed Transaction, as the minimum age requirement for interstate acquisitions in each of California and Washington is five years, and Oregon does not have a minimum age requirement for interstate acquisitions, and in any event Union Bank has been in existence for more than five years.[43]

2. Concentration Limits

a. Nationwide Concentration Limit

Section 3(d) of the BHC Act prohibits the Board from approving an interstate transaction that would result in the acquirer holding more than 10% of the total amount of deposits of insured depository institutions in the United States ("nationwide deposits"). U.S. Bancorp will clearly not approach this level following consummation of the Proposed Transaction. At June 30, 2021, U.S. Bank had total deposits held in domestic offices of $422.8 billion and Union Bank

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[40] *See* 12 C.F.R. § 208.7(b)(3)(iii).

[41] *See* 12 U.S.C. § 1841(o)(4)-(7).

[42] *See* Order Approving Merger of Bank Holding Companies, *Firstar Corporation*, 87 Fed. Res. Bull. 236 (April 2001) at note 5. As discussed in note 4, *supra*, Union Bank maintains the PurePoint Operations Center in Arizona, but notes that the PurePoint Operations Center should not be considered a "branch" for purposes of the Riegle-Neal Act, such that Arizona should not be considered a "host state" of Union Bank for purposes of the Riegle-Neal Act.

[43] *See* Cal. Fin. Code § 1685(a); Wash. Rev. Code Ann. § 30A.04.232(1). The Applicant notes that even if Arizona were to be considered a "host state" of Union Bank for purposes of the Riegle-Neal Act, no issue would be raised by the Proposed Transaction as the minimum age requirement for interstate acquisitions in Arizona is five years (A.R.S. § 6-324).

had total deposits held in domestic offices of $105.2 billion. On a pro forma basis and after giving effect to the Excluded Assets and Liabilities Transfer, the combined organization will hold approximately $512.7 billion in total domestic deposits, accounting for less than 3% of nationwide deposits.[44] Accordingly, the Proposed Transaction will clearly comply with the 10% nationwide concentration limit.

b. State Concentration Limit

The Board may not approve a transaction if (i) immediately prior to the transaction, the applicant controls any insured depository institution or any branch thereof in the home state of any bank to be acquired or in any host state in which any such bank maintains a branch; and (ii) the applicant, upon consummation, would control 30% or more of the total amount of deposits of insured depository institutions in any such state. For the states in which the Applicant has a branch other than California, Oregon and Washington, this restriction is not applicable because Union Bank does not have a branch or bank affiliate in any of those states.[45]

With regard to California, U.S. Bank and Union Bank will hold less than 7% of total insured depository institution deposits in the state.[46] With regard to Oregon, U.S. Bank and Union Bank will hold less than 22% of total insured depository institution deposits in the state.[47] With regard to Washington, U.S. Bank and Union Bank will hold less than 11% of total insured depository institution deposits in the state.[48] Accordingly, the Proposed Transaction will clearly comply with the 30% statewide deposit concentration limit in each such state.[49]

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[44] According to the FDIC's "Statistics on Depository Institutions" database, FDIC-insured commercial banks and thrifts held $17,164 billion in domestic deposits, as of June 30, 2021. See FDIC Statistics at a Glance (as of June 30, 2021) available at https://www.fdic.gov/analysis/quarterly-banking-profile/statistics-at-a-glance/2021jun/industry.pdf.

The Applicant also notes that the combined company would not exceed the cap imposed under Section 622 of the Dodd-Frank Act, which prohibits a merger or acquisition between banking organizations if the transaction would result in the combined company controlling more than 10% of the aggregate consolidated liabilities of all financial companies. On June 17, 2021, the Board stated that the aggregate financial sector liabilities for purposes of Section 622 of the Dodd-Frank Act was equal to $ 21,787,962,476,000 for the period from July 1, 2021 through June 30, 2022. *See* Announcement of Financial Sector Liabilities, 86 Fed. Reg. 32267 (June 17, 2021). On a pro forma basis, following consummation of the Proposed Transaction and after giving effect to the Excluded Assets and Liabilities Transfer, the total liabilities of the combined organization would amount to $603.6 billion, or approximately 2.8% of the aggregate U.S. financial sector liabilities.

[45] *See* note 4, *supra*, regarding Union Bank's PurePoint Operations Center in Arizona.

[46] According to the FDIC's "Statistics on Depository Institutions" database, U.S. Bank and Union Bank had $50.97 billion and $97.52 billion, respectively, in deposits in California, as of June 30, 2021. On a combined basis, and after giving effect to the Excluded Assets and Liabilities Transfer, they would hold less than 7%, of California's $2.1 trillion in total state deposits.

[47] According to the FDIC's "Statistics on Depository Institutions" database, U.S. Bank and Union Bank had $23.96 billion and $467.4 million, respectively, in deposits in Oregon, as of June 30, 2021. On a combined basis, they would hold $24.42 billion, or approximately 21.7%, of Oregon's $112.7 billion in total state deposits.

[48] According to the FDIC's "Statistics on Depository Institutions" database, U.S. Bank and Union Bank had $21.81 billion and $2.36 billion, respectively, in deposits in Washington, as of June 30, 2021. On a combined basis, they would hold $24.17 billion, or approximately 10.7%, of Washington's $225.1 billion in total state deposits.

[49] The Applicant notes that even if Arizona were to be considered a "host state" of Union Bank for purposes of the

The Board is also required to respect nondiscriminatory state deposit caps. Upon consummation, the combined company will not hold deposits in excess of any applicable state law regarding deposit concentration.[50]

3. Community Reinvestment Act Compliance

The Board also considers certain CRA related matters, including the record of compliance under applicable state community reinvestment laws. As discussed in Part IV.D. of this Preliminary Statement (Community Reinvestment Act Performance), U.S. Bancorp and MUFG Americas have very strong records in this regard.

G. Financial Stability Considerations

Pursuant to Section 3(c)(7) of the BHC Act, as added by Section 604(d) of the Dodd-Frank Act, the Board must consider in every application under Section 3 of the BHC Act the extent to which the proposed acquisition would result in greater or more concentrated risks to the stability of the United States banking or financial system (the "Financial Stability Standard").[51]

The Board has not issued or proposed regulations defining how it would take financial stability considerations into account in reviewing a Section 3 application. However, in many approval orders, the Board has delineated a set of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm.[52] These metrics include: (i) the size of the resulting banking organization; (ii) the availability of substitute providers for any critical products and services offered by the resulting firm; (iii) the interconnectedness of the resulting firm with the banking or financial system; (iv) the extent to which the resulting firm contributes to the complexity of the financial system; and (v) the extent of the cross-border activities of the resulting firm.

The following analysis of the Board's systemic risk factors demonstrates that the Proposed Transaction would not result in greater or more concentrated risks to the stability of the U.S. financial system. Moreover, the Proposed Transaction would not result in any significant increase in any of the metrics used by federal banking agencies to evaluate the systemic footprint

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Riegle-Neal Act, U.S. Bank and Union Bank will hold less than 4% of total insured depository institution deposits in the state. According to the FDIC's "Statistics on Depository Institutions" database, U.S. Bank had $3.57 billion in deposits in Arizona, as of June 30, 2021. Even assuming that all of the deposits of the PurePoint Financial platform (approximately $3.71 billion as of June 30, 2021) are located at the PurePoint Operations Center, the combined organization would hold $7.27 billion, or approximately 3.7%, of Arizona's $199.4 billion in total state deposits.

[50] In the only states in which the Applicant and Union Bank have overlapping operations, Washington imposes a 30% statewide deposit concentration limit (Wash. Rev. Code Ann. § 30A.49.125(6)), while neither California nor Oregon impose a limit on the total amount of in-state deposits that a single banking organization may control. The Applicant notes that even if Arizona were to be considered a "host state" of Union Bank for purposes of the Riegle-Neal Act, Arizona imposes a 30% statewide deposit concentration limit (A.R.S. § 6-328).

[51] 12 U.S.C. § 1842(c)(7).

[52] *See* Capital One Financial Corporation, FRB Order No. 2012-2 (Feb. 14, 2012) (the "Capital One Order"). *See, e.g.*, Royal Bank of Canada, FRB Order No. 2015-28 (Oct. 7, 2015); CIT Group, Inc., FRB Order No. 2015-20 (July 19, 2015); BB&T Corporation, FRB Order No. 2015-18 (July 7, 2015).

of the combined organization. In addition, the Applicant recognizes that cyber risk is a significant and growing risk to all financial institutions, and therefore also to the stability of the U.S. financial system. The Proposed Transaction would promote financial stability by resulting in a combined organization that is highly resilient to cyber- and information technology-related attacks and vulnerabilities, by leveraging the Applicant's sophisticated technology environments and controls, as well as its continued investment in its robust IT security processes and framework, as discussed further in Part IV.B.2. of this Preliminary Statement.

1. Size

When considering the size of a resulting organization for purposes of the Financial Stability Standard, the analysis may be informed by the asset size of the institutions as well as other aspects of the BHC Act's requirements, including the 10% national deposit cap for certain interstate acquisitions[53] and the 10% national liabilities cap.[54] Although the Proposed Transaction will increase the size of the Applicant's operations, the size of the resulting organization following consummation of the Proposed Transaction does not significantly increase the risk that the Applicant poses to the U.S. financial system, and would not approach either the national deposit cap or the national liabilities cap.

With respect to asset size, the total assets of U.S. Bancorp account for approximately 2.0% of the total assets of all U.S. bank and thrift holding companies ("U.S. holding company assets").[55] The total assets of U.S. Bank account for approximately 2.4% of the total assets of all U.S. insured depository institutions ("U.S. bank assets").[56] The total assets of Union Bank account for approximately 0.6% of U.S. bank assets.[57] On a pro forma basis, following consummation of the Proposed Transaction and after giving effect to the Excluded Assets and Liabilities Transfer, the total assets of U.S. Bancorp would amount to approximately 2.4% of U.S. holding company assets, while the total assets of U.S. Bank would amount to approximately 2.9% of U.S. bank assets. Based on total consolidated assets, the combined organization would be only 6.0% of the total consolidated asset size of the four largest U.S. banking organizations.[58]

With respect to deposit size, the combined organization would not approach the national deposit cap. The total domestic deposits of U.S. Bancorp account for approximately 2.6% of

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[53] 12 U.S.C. § 1843(i)(8).

[54] 12 U.S.C. § 1852.

[55] As of June 30, 2021, total assets of all U.S. bank and thrift holding companies are $27,939 billion. *Source*: SNL Financial.

[56] Total assets of U.S. Bank based on Call Report data as of June 30, 2021. Total assets of FDIC-insured banks and thrifts are $22,789 billion. See FDIC Statistics at a Glance (as of June 30, 2021) available at https://www.fdic.gov/analysis/quarterly-banking-profile/statistics-at-a-glance/2021jun/industry.pdf.

[57] Total assets of Union Bank based on Call Report data as of June 30, 2021. Total U.S. bank assets as of June 30, 2021.

[58] This calculation is based on the average of the total consolidated assets of the four largest bank holding companies as of June 30, 2021. The total consolidated assets of the largest bank holding companies as of such date are: JPMorgan Chase – $3.684 trillion; Bank of America – $3.03 trillion; Citigroup – $2.328 trillion; and Wells Fargo – $1.946 trillion.

nationwide deposits.[59] The total domestic deposits of Union Bank account for approximately 0.6% of nationwide deposits.[60] On a pro forma basis, following consummation of the Proposed Transaction and after giving effect to the Excluded Assets and Liabilities Transfer, the total deposits of U.S. Bancorp would amount to approximately 3.1% of total nationwide deposits.[61]

With respect to liabilities, the combined organization would not approach the national liabilities cap. The total liabilities of U.S. Bancorp account for approximately 2.3% of aggregate financial sector liabilities.[62] The total liabilities of Union Bank account for approximately 0.5% of aggregate financial sector liabilities.[63] On a pro forma basis, following consummation of the Proposed Transaction and after giving effect to the Excluded Assets and Liabilities Transfer, the total liabilities of the combined organization would amount to approximately 2.8% of the aggregate U.S. financial sector liabilities.[64]

In addition, when the pro forma asset size of U.S. Bancorp is measured using the total exposures of U.S. Bancorp and Union Bank (after giving effect to the Excluded Assets and Liabilities Transfer), as defined for purposes of the size indicators section of the FR Y-15 report, it demonstrates that the Proposed Transaction would not result in financial stability concerns as measured by the size factor. In evaluating a bank holding company's total exposures, the relevant measures include its total derivatives, securities financing transactions, other on-balance sheet exposures and other off-balance sheet exposures. Based on U.S. Bancorp's Form FR Y-15 report as of June 30, 2021 and data from Union Bank, the combined company would have total exposures (before regulatory deductions) of $804 billion, which is only 3.2% of the total exposures reported by institutions that file the FR Y-15 form.[65] The combined organization's "size" systemic indicator score, as calculated under the Method 1 and Method 2 GSIB surcharge scoring methodologies of Subpart H of the Board's Regulation Q, would increase by only three

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[59] Total deposits of U.S. Bancorp based on FR Y-9C data as of June 30, 2021. Total domestic deposits of FDIC-insured banks and thrifts are $17,164 billion (as of June 30, 2021) *available at* https://www.fdic.gov/analysis/quarterly-banking-profile/statistics-at-a-glance/2021jun/industry.pdf.

[60] Total deposits of Union Bank based on Call Report data as of June 30, 2021. Total nationwide deposits as of June 30, 2021.

[61] This percentage is significantly less than the nationwide deposit concentrations of various bank holding companies in the United States classified as a GSIB, for example: Bank of America – 11.12%; Citigroup – 7.63%; JPMorgan Chase – 13.43%; and Wells Fargo – 8.39%.

[62] On June 17, 2021, the Board stated that the aggregate financial sector liabilities for purposes of Section 622 of the Dodd-Frank Act was equal to $21,787,962,476,000 for the period from July 1, 2021 through June 30, 2022. *See* Announcement of Financial Sector Liabilities, 86 Fed. Reg. 32267 (June 17, 2021).

[63] Total liabilities of Union Bank based on Call Report data as of June 30, 2021.

[64] This percentage is significantly less than the nationwide financial sector liability concentrations of various bank holding companies in the United States classified as a GSIB, for example: Bank of America – 12.63%; Citigroup – 9.75%; JPMorgan Chase – 15.59%; and Wells Fargo – 8.05%.

[65] The pro forma total exposures of the combined company were calculated by adding the total exposures of such activities reported on U.S. Bancorp's FR Y-15 report (as of June 30, 2021) and data provided by Union Bank. The combined organization's total exposures would also be only a small portion of such total exposures of the non-custodial U.S. GSIBs: JPMorgan Chase – $4.51 trillion, Bank of America – $3.53 trillion, Wells Fargo – $2.39 trillion, Citigroup – $2.94 trillion, Goldman Sachs – $1.78 trillion, and Morgan Stanley – $1.46 trillion.

points under Method 1 and five points under Method 2, each as compared to U.S. Bancorp's systemic indicator scores as of June 30, 2021.

Accordingly, these numbers suggest that the size of the organization resulting from the Proposed Transaction would not pose any separate discernible or increased risk to the financial stability of the U.S. financial system.

2. Substitutability

When considering the substitutability of a resulting organization for purposes of the Financial Stability Standard, the analysis may be informed by whether the parties to the transaction engage in any activities that are critical to the functioning of the U.S. financial system and whether there would be adequate substitute providers that could quickly perform such activities should the combined organization suddenly be unable to do so as a result of severe financial distress.

Neither the Applicant nor Union Bank engages in any activities that are critical to the functioning of the U.S. financial system or provides services that are available from only a small number of providers. Indeed, to the contrary, both organizations primarily offer traditional banking products and services for which there are numerous providers in their respective markets of each of their products and services that could continue to provide such products and services should the combined organization be unable to do so as a result of severe financial distress.

Both the Applicant and Union Bank provide products and services that are generally considered to be unconcentrated. The Applicant provides a wide range of commercial, retail and small business banking products and services to individual and corporate clients, including through its Corporate and Commercial Banking, Consumer and Business Banking, Wealth Management and Investment Services, Payment Services, and Treasury and Corporate Support lines of business. Union Bank provides banking, consumer finance, investment, asset management, and other financial products and services to individual consumers, small and medium-sized enterprises, and large corporations. These activities of both banks take place in a highly competitive environment with many banks and other financial institutions providing the same services both in local and regional markets and on a national basis.[66]

In evaluating the substitutability of the combined organization under the Financial Stability Standard, the relevant measures include the combined organization's total payments activity, amount of assets under custody and underwriting activity. Based on U.S. Bancorp's FR

[66] For example, the Federal Reserve has noted that there are numerous competitors in the United States that offer retail and commercial deposit products; consumer and commercial loan products; mortgage lending; commercial lease financing and related services; asset-based lending; student lending; small business lending; loan servicing for third-party investors; private bank and trust services; payments processing; cash management and treasury services; securities brokerage and underwriting; insurance agency and brokerage; capital markets services; investment advisory; asset management; wealth management; investment and mergers and acquisition advisory services; capital markets; investment banking services; trust operations and fiduciary services; risk-management and asset management services; community development investment; payments; merchant services; and treasury management services. *See*, *e.g*., The PNC Financial Services Group, Inc., FRB Order 2021-4 (May 14, 2021); BB&T Corporation, FRB Order 2019-16 (November 19, 2019).

Y-15 report (as of June 30, 2021) and data from Union Bank, the combined company would have total payments activity of $13.4 billion, total assets under custody of $2.5 billion and total underwriting activity of $35.6 billion, which are each only a small fraction of these activities in the U.S. financial system. The combined organization would account for approximately 0.9% of payments activities, 1.6% of assets under custody, and 0.8% of underwriting activities of the total reported by institutions that file the FR Y-15 form.[67] Further, the combined organization's "substitutability" systemic indicator score, as calculated under the Method 1 GSIB surcharge scoring methodology of Subpart H of the Board's Regulation Q, would increase by only one point as compared to U.S. Bancorp's systemic indicator score as of June 30, 2021. As indicated by these data, the combined organization would have a small share on a nationwide basis, and numerous competitors would remain.

Accordingly, following the consummation of the Proposed Transaction, the combined organization's market share of any activity would not be substantial enough to cause significant disruption in the activity if the combined organization were to experience distress, due to the availability of substitute providers that could assume the combined organization's business.

3. Interconnectedness

The Proposed Transaction would not materially increase the interconnectedness of the U.S. banking or financial system. The Applicant does not currently, and would not as a result of the Proposed Transaction, engage in business activities or participate in markets to a degree that would pose significant risk to other institutions, in the event of financial distress of the combined entity. Moreover, the parties together following the Proposed Transaction would not be so interconnected with other firms or the markets that the merged entity would pose a significant risk to the financial system in the event of financial distress.

To the contrary, the Applicant and Union Bank primarily offer retail and commercial banking products and services to an array of clients, including retail and small business client, middle-market and other corporate clients, as well as non-profit and public sector clients. Such products and services include commercial lending, equipment finance and small-ticket leasing, depository services, treasury management, community banking, metropolitan banking and indirect lending, mortgage banking, and various other services, such as private banking, financial advisory services, investment management, retail brokerage services, insurance, trust, custody and fund servicing. The two parties do not engage in significant derivatives or credit default swaps activity and such activities would not pose a material financial stability risk. Accordingly, following the Proposed Transaction, the Applicant would not be so interconnected with other firms or markets such that financial distress at the Applicant would pose a significant risk to the financial system.

[67] Such totals are also significantly less than the totals for such indicators reported by the non-custodial U.S. GSIBs. The respective total payments activity, total assets under custody and total underwriting activity reported by the non-custodial U.S. GSIBs on their FR Y-15 reports were as follows: JPMorgan Chase – $494.07 trillion, $32.83 trillion and $808.02 billion; Bank of America – $137.04 trillion, $4.08 trillion and $639.32 billion; Wells Fargo – $56.65 trillion, $3.45 trillion and $247.58 billion; Citigroup – $183.45 trillion, $20.62 trillion and $573.47 billion; Goldman Sachs – $13.37 trillion, $1.56 trillion and $480.81 billion; and Morgan Stanley – $15.10 trillion, $3.65 trillion and $485.08 billion.

Similarly, when the interconnectedness of the combined company is measured using the interconnectedness indicators of the FR Y-15 report, this measure clearly demonstrates that the Proposed Transaction would not result in a material increase in systemic risk under such indicators. In evaluating the combined organization's interconnectedness, the relevant measures include the banking organization's total claims on the financial system, its total liabilities to the financial system, the total value of debt and equity securities it issues and the total letters of credit outstanding to other financial institutions. Based on U.S. Bancorp's FR Y-15 report as of June 30, 2021 and data from Union Bank, the combined company would have total intra-financial system assets of $38.0 billion, total intra-financial system liabilities of $26.1 billion, and total securities outstanding of $163.4 billion, which would account for approximately 1.7% of total intra-financial system assets, 1.1% of total intra-financial system liabilities, and 3.2% of total securities outstanding of the total reported by institutions that file the FR Y-15 form.[68] Further, the combined organization's "interconnectedness" systemic indicator score, as calculated under the Method 1 and Method 2 GSIB surcharge scoring methodologies of Subpart H of the Board's Regulation Q, would increase by only two points under Method 1 and four points under Method 2, each as compared to U.S. Bancorp's systemic indicator scores as of June 30, 2021.

4. Complexity

The low level of complexity of the combined entity's operations would not hinder its timely and efficient resolution in the event it were to experience financial distress. Neither the Applicant nor Union Bank engages in complex activities, such as being a core clearing and settlement organization for critical financial markets, which might complicate the resolution process by increasing the complexity, costs or timeframes involved in a resolution. The Proposed Transaction does not involve the acquisition or assumption of complex assets or liabilities.

The combined organization would not have an organizational structure, complex interrelationships, or unique structural characteristics that might complicate the resolution process by increasing the complexity, costs or timeframes involved in a resolution. In addition, the Applicant and MUFG Americas and their subsidiary depository institutions have complied with applicable resolution planning requirements and have satisfactorily demonstrated to their U.S. banking regulators that they have adequately assessed any challenges that their structures and business activities pose to an orderly resolution. Moreover, the organizational structure and operations of the combined organization would be centered on a commercial banking business, and in the event of distress, the resolution process would be handled in a predictable manner by relevant authorities. Following the Bank Merger, approximately 98% of the combined organization's total assets would be held by or through U.S. Bank. Accordingly, the vast

[68] Such totals are also significantly less than the totals for such indicators reported by the non-custodial U.S. GSIBs. For example, the respective total intra-financial system assets, intra-financial system liabilities and securities outstanding reported by the non-custodial U.S. GSIBs on their FR Y-15 reports for the same time period were as follows: JPMorgan Chase – $387.23 billion, $508.74 billion and $852.79 billion; Bank of America – $251.98 billion, $154.10 billion and $692.08 billion; Wells Fargo – $197.32 billion, $138.93 billion and $417.96 billion; Citigroup - $225.29 billion, $308.54 billion and $528.69 billion; Goldman Sachs – $270.24 billion, $99.53 billion and $512.35 billion; and Morgan Stanley – $231.19 billion, $69.48 billion and $420.64 billion.

majority of the combined organization's assets would continue to be subject to the well-established resolution processes under the Federal Deposit Insurance Act.

When the complexity of the combined organization is measured using the relevant indicators of U.S. Bancorp's Form FR Y-15 report and data from Union Bank, it is also clear that the Acquisition would not result in a material increase in systemic risk under this factor. In evaluating the combined organization's complexity, the relevant measures are: a banking organization's total notional amount of over-the-counter ("OTC") derivatives; total amount of trading and available-for-sale securities and equity securities with readily determinable fair values not held for trading (collectively, "Trading and AFS Securities"); and total illiquid and hard-to-value assets, known as "Level 3 Assets." Based on U.S. Bancorp's FR Y-15 report as of June 30, 2021 and data from Union Bank, the combined organization would have a pro forma total notional amount of OTC derivatives of $851.2 billion, total Trading and AFS Securities of $30.6 billion and total Level 3 Assets of $6.1 billion, which would account for approximately 0.39% of total notional amount of OTC derivatives, 2.08% of total Trading and AFS Securities, and 4.58% total Level 3 Assets of the total reported by institutions that file the FR Y-15 form.[69] Further, the combined organization's "complexity" systemic indicator score, as calculated under the Method 1 and Method 2 GSIB surcharge scoring methodologies of Subpart H of the Board's Regulation Q, would increase by only two points under each of Method 1 and Method 2, each as compared to U.S. Bancorp's systemic indicator scores as of June 30, 2021.

As described above, both banks maintain relatively simple business models that, as noted above, are focused primarily on retail and commercial lending and deposit products. Thus, the combined organization will not contribute to the overall complexity of the U.S. financial system.

5. Cross-Border Activity

Following the Proposed Transaction, the combined organization would not have significant a cross-border presence that would create difficulties in coordinating any resolution or which could significantly increase the risk to stability of the U.S. banking or financial system. The Applicant also has limited operations outside the United States and does not otherwise engage in any significant cross-border activities. The Applicant maintains limited foreign operations through foreign branches as well as certain subsidiaries, including Elavon Financial Services DAC ("EFS DAC"), which is held under an agreement corporation subsidiary of U.S. Bank and has branches in Spain, Poland, Norway, Germany, Luxembourg, and the United Kingdom. U.S. Bank's foreign branches are located in Toronto, Canada and George Town, Cayman Islands. Certain wholly-owned subsidiaries of U.S. Bank, including EFS DAC, (together, "Elavon International") provide merchant processing services in Canada and segments of Europe. In addition, Elavon International houses a small portion of the Global Corporate Trust Services business line in Europe. These foreign operations are not significant to the

[69] Such totals are also significantly less than the totals for such indicators reported by the non-custodial U.S. GSIBs. The volumes of these activities (total notional amounts of OTC derivatives, amounts of trading and AFS and Level 3 Assets amounts) reported by the non-custodial U.S. GSIBs on their FR Y-15 reports were as follows: JPMorgan Chase – $50.97 trillion, $269.24 billion and $15.88 billion; Bank of America – $34.84 trillion, $240.37 billion and $10.77 billion; Wells Fargo – $10.47 trillion, $89.68 billion and $23.01 billion; Citigroup – $39.04 trillion, $106.82 billion and $13.02 billion; Goldman Sachs – $41.40 trillion, $135.42 billion and $26.12 billion; and Morgan Stanley – $31.98 trillion, $169.87 billion and $13.21 billion.

Company. Similarly, Union Bank has limited operations and no offices outside the United States and does not otherwise engage in any significant cross-border activities.

When the cross-border activity of the combined company is measured using the cross border indicators of the FR Y- 15 report, it is also clear that the Proposed Transaction would not result in material systemic risk under such indicators. In evaluating a bank holding company's cross-border activity, the relevant measures are a banking organization's total cross-jurisdictional claims and its total cross-jurisdictional liabilities. Based on U.S. Bancorp's Form FR Y-15 reports as of June 30, 2021 and data from Union Bank, the combined company would have total cross-jurisdictional claims of $16.6 billion and total cross-jurisdictional liabilities of $37.3 billion, which would account for approximately 0.36% of total cross-jurisdictional claims and 0.93% of total cross-jurisdictional liabilities of the total reported by institutions that file the FR Y-15 form.[70] Further, the combined organization's "cross-jurisdictional activity" systemic indicator score, as calculated under the Method 1 and Method 2 GSIB surcharge scoring methodologies of Subpart H of the Board's Regulation Q, would increase by less than one point under Method 1 and only one point under Method 2, each as compared to U.S. Bancorp's systemic indicator scores as of June 30, 2021.

While the Applicant continues to evaluate its cross-border activities and may consider future expansions of such activities in the ordinary course of business, the combined organization does not expect to expand its cross-border activities as a result of the Proposed Transaction. Therefore, the Proposed Transaction would not involve the acquisition of any cross-border operations or activities and would not otherwise create difficulties in coordinating any resolution that would significantly increase the risk to U.S. financial stability.

6. <u>GSIB Scores</u>

These metrics are similar to the categories of systemic indicators used by the Board to identify banking organizations that should be considered GSIBs and to calculate the capital surcharge applicable to a GSIB, as well as the general categories of indicators collected in the FR Y-15 reports (Banking Organization Systemic Risk Report).[71] As of June 30, 2021, U.S. Bancorp had a Method 1 GSIB score of only 52. U.S. Bancorp's pro forma Method 1 GSIB score as of the same date, after taking into account the Proposed Transaction, would be 60, an increase of only 8 points. Importantly, U.S. Bancorp's pro forma Method 1 GSIB score, after taking into account the Proposed Transaction, would remain 70 points below the threshold score (130) necessary to be considered a GSIB under 12 CFR § 217.402, and would be less than 20% of the average of the six U.S. institutions with the highest GSIB scores. Also as of June 30, 2021, U.S. Bancorp had a Method 2 GSIB score of only 105. U.S. Bancorp's pro forma Method

[70] Such totals are also significantly less than the totals for such indicators reported by the non-custodial U.S. GSIBs. The volumes of these activities (total cross-jurisdictional claims and total cross-jurisdictional liabilities) reported by the non-custodial U.S. GSIBs on their FR Y-15 reports were as follows: JPMorgan Chase – $1.06 trillion and $882.88 billion; Bank of America – $557.31 billion and $428.39 billion; Wells Fargo – $179.79 billion and $64.88 billion; Citigroup – $1.06 trillion and $1.17 trillion; Goldman Sachs – $604.49 billion and $526.38 billion; and Morgan Stanley – $393.52 billion and $311.33 billion.

[71] 12 CFR § 214.404; Banking Organization System Risk Report-FR Y-15, https://www.federalreserve.gov/reportforms/forms/FR_Y-1520201231_i.pdf.

2 GSIB score as of the same date, after taking into account the Proposed Transaction, would be 121, an increase of only 16 points, and would be less than 20% of the average of the six U.S. institutions with the highest GSIB scores. Further, none of the Method 1 or Method 2 component indicator scores would increase by more than six points as a result of the Proposed Transaction.

Please see Confidential Exhibit 13 for additional information comparing U.S. Bancorp's pro forma GSIB score to the GSIBs and other bank holding companies, as well as a snapshot summary of the systemic risk factors of the 37 bank holding companies that file FR Y-15 reports, as of June 30, 2021.

H. Public Notice

Notice of the Application is being published in *The Cincinnati Enquirer*, a daily newspaper of general circulation in Cincinnati, Ohio, which is the location of the main office of the Applicant's lead bank (U.S. Bank), *The Star Tribune*, a daily newspaper of general circulation in Minneapolis, Minnesota, which is the location of the head office of the Applicant, and *The San Francisco Chronicle*, a daily newspaper of general circulation in San Francisco, California, which is the location of the main office of Union Bank. The form of newspaper notice with regard to the Acquisition is provided in Public Exhibit 9. Affidavits of publication will be submitted to Board and Reserve Bank staff once they are received from the newspapers.

V. CONCLUSION

The Proposed Transaction merits approval under the relevant statutory criteria. As set forth in this Application, the Applicant will have substantial financial resources to operate safely and soundly following the Proposed Transaction. Moreover, the combined organization's directors and senior executive officers have the competence, experience and integrity to manage the combined organization in a safe and sound manner following the Proposed Transaction. The Proposed Transaction will bring substantial benefits to the customers and communities served by the Applicant and Union Bank, and the banks' CRA records support approval. The Proposed Transaction also does not raise any competitive concerns. Furthermore, the Proposed Transaction does not present a risk to the stability of the U.S. banking or financial system.

RESPONSES TO QUESTIONS FROM FORM FR Y-3

I. PROPOSED TRANSACTION

1. Describe the transaction's purpose. Identify any changes to the business plan of the Bank/Bank Holding Company to be acquired or the Resultant Institution. Identify any new business lines.

The purpose of the Proposed Transaction is to effect the Applicant's acquisition of Union Bank and the subsequent merger of Union Bank into U.S. Bank. Through the acquisition of Union Bank, the Applicant seeks to expand its presence in the Western U.S. markets in which Union Bank principally operates, primarily in California, Oregon and Washington. The Applicant intends to serve existing Union Bank customers through a more expansive branch network and a broader array of products and services. The Applicant has concluded that the combination of their complementary businesses will result in a stronger banking organization better able to serve customers and communities on a more efficient basis while providing existing customers of both banks access to a broader suite of products and services.

The Proposed Transaction will bring together two purpose-driven organizations with a deep commitment to the customers they serve. The new organization will leverage its scale to serve customer needs through a distinctive customer experience. The Proposed Transaction uniquely positions the combined organization to capitalize on market opportunities and broaden the channels and customers it serves through expanded distribution and product offerings. Strategic and financial benefits of the Proposed Transaction include:

- *Enhanced Scale*: The combined company's expanded distribution and scale positions U.S. Bank to serve an expanded customer base through a distinctive customer experience while driving strong financial performance.

- *Cost Synergies*: The combined company will be able to operate significantly more efficiently than when operated as separate banking organizations.

- *Revenue Growth through Combined Segments and Expanded National Footprint Businesses*: The Proposed Transaction will result in strengthened Consumer & Business Banking, Payments, Wealth, and Corporate & Commercial Banking businesses for the combined organization. U.S. Bank will leverage its broader product and service offerings, as well as its strong digital capabilities, across the expanded combined customer base. In addition, Union Bank's strengths in consumer & business banking, payment services, wealth management and corporate & commercial banking will complement U.S. Bank's existing efforts in these business lines.

- *Enhances Market Competition*: The Proposed Transaction will create a more effective competitor in vibrant California and West Coast markets. Currently, the Applicant is the 10th largest insured depository organization in California, as measured by deposits, and the three largest competitors in the state are global systemically important banks ("GSIBs") that control 22.3%, 15.5% and 12.2% of the total deposits in California, respectively.[72] Following consummation of the Proposed Transaction (and after giving effect to the Excluded Assets and Liabilities Transfer), the Applicant would be the 5th largest insured depository organization in California, as measured by deposits, with less than 7% of the deposits in the state. The greater scale and increased market presence of the Applicant resulting from the Proposed Transaction would allow the Applicant to compete more effectively against the market leaders in California and would have a pro-competitive impact in the state.

The business strategy and operations of the combined organization will not differ materially from the business strategy and operations of the Applicant, and the combined organization's business plan will not change materially from the Applicant's business plan that has been previously reviewed by the Board and Reserve Bank.

The business and core competencies of both U.S. Bank and Union Bank are highly complementary, and will allow the combined organization to deploy a broad product set and digital capabilities at enhanced scale. For example, U.S. Bank offers the scale, product breadth and technology to penetrate consumer and business banking markets through its mobile banking, data and analytics, digital mortgage, retail cards, auto finance and installment loans, complementing Union Bank's large and loyal client base of approximately one million consumer accounts. U.S. Bank's capabilities in integrated payment services (including merchant acquiring, business-to-business and real-time payments, omni-commerce, commercial cards and fleet payments) will greatly benefit Union Bank's approximately 190,000 business banking clients. U.S. Bank's dedicated wealth management offerings (including financial planning, private banking, trust and estate, investment management and brokerage services) will serve Union Bank's loyal base of over 50,000 high net worth and affluent households. Finally, U.S. Bank's corporate and commercial banking and corporate payments capabilities will strengthen the approximately 700 commercial relationships of Union Bank.

2. Provide the following with respect to the Bank/Bank Holding Company to be acquired:

a. Total number of shares of each class of stock outstanding;

As of the date of the Purchase Agreement, Union Bank had authorized capital stock consisting of 45,000,000 shares of common stock, par value $15 per share (the "Common Stock"), of which 40,305,115 shares were issued and outstanding and none were held in treasury.

b. Number of shares of each class now owned or under option by the applicant, by subsidiaries of the applicant, by principals of the applicant, by trustees for the

[72] The deposit market shares are calculated using the Federal Reserve's baseline deposit weighting for deposits of banks and thrifts. Under the Federal Reserve's baseline deposit weighting assumptions, commercial bank deposits are weighted at 100%, deposits of thrifts and savings banks at 50%, and deposits of credit unions at 0%.

benefit of the applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by the applicant;

None of U.S. Bancorp, its subsidiaries or its or their principals, or any trustee for the benefit of U.S. Bancorp, its subsidiaries, shareholders, and employees as class, or any escrow arrangement instituted by U.S. Bancorp, currently own any equity interests of, or hold any options to purchase equity of Union Bank, the bank to be acquired. All of the shares of capital stock of Union Bank are owned by MUFG Americas prior to the consummation of the Proposed Transaction.[73]

c. Number of shares of each class to be acquired by cash purchase; the amount to be paid, per share and in total; and the source of funds to be applied to the purchase;

For a description of the number of shares of each class to be acquired by cash purchase and the amount to be paid, please refer to Part III.A. of the Preliminary Statement. As noted therein, a portion of the purchase price to be paid by U.S. Bancorp on the closing date will be paid in the form of shares of U.S. Bancorp common stock comprising the Stock Consideration.

The source of funds to be applied to the Cash Consideration is expected to principally consist of U.S. Bancorp's balance sheet cash on hand (which is expected to finance approximately $4.25 billion of the Cash Consideration). U.S. Bancorp expects to finance the remainder of the purchase price using other internal or external financial resources, including securities issuances into the public or private capital markets. U.S. Bancorp's current plan is to issue additional Tier 1 and Tier 2 capital instruments (including approximately $750 million in preferred stock and approximately $500 million in subordinated debt) to finance the remaining portion of the Cash Consideration and to balance U.S. Bancorp's regulatory capital structure with additional capital elements. The timing and terms of any such capital issuances have yet to be determined and will depend on a number of factors, including then-current market conditions. In addition, such capital issuances may be in addition to other issuances of debt or stock by U.S. Bancorp or U.S. Bank in the ordinary course of business before the Acquisition and Bank Merger are completed.

d. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of the applicant's shares to be exchanged; and

For a description of the number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of the Applicant's shares to be exchanged, please refer to Part III.A. of the Preliminary Statement.

e. A copy of the purchase, operating, shareholder, trust or other agreements associated with the proposed transaction. Also, provide the expiration dates of

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[73] Certain of the Applicant's directors own a de minimis number of shares in MUFG, Union Bank's top-tier publicly traded parent company, with an aggregate market value of less than $17,000 as of September 30, 2021.

any contractual arrangement between the parties involved in this application and a brief description of any unusual contractual terms, especially those terms not disclosed elsewhere in the application. Note any other circumstances that might affect timing of the proposal.

The Purchase Agreement does not contain any unusual contractual terms not otherwise described elsewhere in this Application. For a summary of the principal terms of the Purchase Agreement, please refer to Part III.A. of the Preliminary Statement. As noted therein, each party will have the right to terminate the Purchase Agreement if the Acquisition has not been completed by September 30, 2022, subject to certain limitations and possible extension in certain circumstances. A copy of the Purchase Agreement is attached as Public Exhibit 1.

3. **If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the source of funds that the applicant intends to use for the proposed purchase, and discuss the effect of the transaction on the operations of the applicant.**

Not applicable. The Proposed Transaction is not an acquisition of assets and assumption of liabilities.

4. **If the proposed transaction involves the acquisition of an unaffiliated banking operation or otherwise represents a change in ownership of established banking operations, describe briefly the due diligence review conducted on the target operations by Applicant. Indicate the scope of and resources committed to the review, explain any significant adverse findings, and describe the corrective action(s) to be taken to address those weaknesses.**

For the response to this Item, please refer to Confidential Exhibit 8.

5. **Provide a list of all regulatory approvals and filings required for the proposed transaction and the status of each filing.**

For the response to this Item, please refer to Part III.E. of the Preliminary Statement (Regulatory Approvals and Notices).

6. **Provide a copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority.**

A copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority will be provided to the Board upon receipt by the Applicant of any such documentation.

7. **For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction would result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing the applicant's percentage of ownership of all banks and companies, both domestic and foreign, in which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.**

Not applicable. This Application is not being filed pursuant to Section 3(a)(1) of the BHC Act.

II. Financial and Managerial Information

8. a. For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction, provide parent company balance sheet as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet. The pro forma balance sheet should reflect the adjustments required under business combination and fair value accounting standards;

Not applicable. U.S. Bancorp is subject to consolidated capital standards, and would continue to be after consummation of the Proposed Transaction.

b. For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction, provide parent company and consolidated balance sheets as of the end of the most recent quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by detailed footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheets; and the financial information provided should be prepared in accordance with GAAP, and be in sufficient detail to reflect any: Common equity and preferred stock; Other qualifying capital; Long —and short–term debt; Goodwill and all other types of intangible assets; Material changes between the date of the balance sheet and the date of the application (explained by footnotes).

For the response to this Item, please refer to Confidential Exhibit 6.

c. Provide a broad discussion on the valuation of the target entity and any anticipated goodwill and other intangible assets. Also discuss the application of fair value and any election to apply push-down accounting adjustments, as appropriate.

U.S. Bancorp believes that the Proposed Transaction presents significant growth and value-creation opportunities for the combined companies and respective shareholders. Based on U.S. Bancorp's closing share price on September 20, 2021, the purchase price to be paid by U.S. Bancorp on the closing date is approximately $8 billion in aggregate. This price represents a multiple of approximately 1.3 times Union Bank's tangible book value. U.S. Bancorp expects approximately $900 million in pretax synergies (equal to approximately 40% of estimated non-interest expenses) through a combination of real estate consolidation, technology and systems conversion and other back-office efficiencies, to be fully realized by 2023. Excluding one-time charges, U.S. Bancorp expects the Proposed Transaction to be approximately 6% accretive to earnings per common share in 2023 (assuming a 75% synergy phase-in) and approximately 8% accretive to earnings per common share when fully integrated, and to deliver strong returns on capital. The Proposed Transaction is expected to produce tangible book value per share dilution of approximately 1% with earnback periods of less than one year and approximately 1.5 years based on the commonly used investor approaches. The valuation of the target was arrived at after careful consideration by the Applicant along with its outside financial advisers.

For additional information regarding accounting adjustments, please refer to Confidential Exhibit 6.

9. For an applicant that is or would be subject to consolidated capital requirements under Regulation Q (12 CFR part 217) following consummation of the proposed transaction, provide a breakdown of the organization's existing and pro forma risk-weighted assets as of the end of the most recent quarter, showing each principal group of on and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of common equity tier 1, additional tier 1 and tier 2 capital pursuant to the capital adequacy regulations as of the end of the most recent quarter, and provide calculations of applicant's existing and pro forma common equity tier 1 capital, tier 1 capital, total capital, and leverage ratios pursuant to the capital adequacy regulations. If applicable, also provide the applicant's existing and pro forma supplementary leverage ratio pursuant to the capital adequacy regulations.

For the response to this Item, please refer to Confidential Exhibit 6.

10. Provide for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal:

a. A description of any plans (in connection with the proposed transaction, or otherwise) to issue, incur, or assume additional common equity, preferred stock, other qualifying capital, and/or debt. Specify the amount, purpose, name and location of the issuer and/or lender; provide a copy of any loan agreement, loan commitment letter from the lender, or other underlying agreement which provides the interest rate, maturity, collateral, and proposed amortization schedule; and discuss what resources would be used to service any debt or capital instruments arising from the proposed transaction; and

For the response to this item, please refer to the Applicant's response to item 2.c.

b. Cash flow projections under the following limited circumstances;

i. For an applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt in the proposal such that parent company long term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. If an applicant projects that dividends or other payments from subsidiary banks will be used to service parent company debt and/or other obligations, provide projections of subsidiary bank(s) assets, earnings, and dividends, as

well as common equity tier 1, additional tier 1, total capital, and leverage ratios (including the supplementary leverage ratio, if applicable) pursuant to the capital adequacy regulations. If the combined assets of the subsidiary banks exceed the asset threshold of the Board's Small Bank Holding Company Policy Statement, subsidiary bank data may be shown on an aggregate basis;

Not applicable. The Applicant will not incur or assume any debt or trust preferred securities in the Proposed Transaction such that the Applicant's long-term debt would exceed 30% of the Applicant's equity capital.

ii. For an applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or other obligations in the proposal such that parent company debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next twelve years, along with supporting schedules for each material cash receipt and disbursement. These projections must clearly demonstrate the ability of the parent company to reduce the debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include projections of subsidiary bank(s) assets, earnings, dividends, and other payments to affiliates, as well as common equity tier 1 capital, tier 1 capital, total capital and leverage ratios. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.

Not applicable. The Applicant is subject to consolidated capital standards, and would continue to be after consummation of the Proposed Transaction.

c. If the proposed transaction results in a change in ownership of the company (e.g., due to an exchange of stock), provide a current and pro forma shareholders list;

For shareholder list information, please see Public Exhibit 10.

d. If the subject transaction will be funded in whole, or in part, through the issuance of additional stock instruments, describe the current status of the stock raising efforts. Provide copies of the prospectus, private placement memorandum, and other documents associated with the capital raise. In addition, provide copies of any stock commitments, subscription agreements, or escrow account statements evidencing capital raised. Before submitting a final application, please contact the appropriate Federal Reserve Bank to discuss the timing considerations of the capital raising efforts with regard to submission of the application.

For the response to this item, please refer to the Applicant's response to item 2.c.

11. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for the applicant and the Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:

a. Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;

b. Title or positions with Applicant and the Bank;

c. Number and percentage of each class of shares of Applicant and Bank owned, controlled, or held with power to vote by this individual;

d. Principal occupation if other than with Applicant or Bank;

e. Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other depository institution or depository institution holding company. Give the name and location of such other depository institution or depository institution holding company. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.);

f. Interagency Biographical and Financial Reports (IBFRs) are required for certain individuals. Consult with the appropriate Reserve Bank for guidance on who should provide an IBFR. See SR 15-8 Name Check Process for Domestic and International Applications for more details; and

g. If the principal is a corporation or partnership, provide financial statements (balance sheets and income statements) for the two most recent fiscal years and the most recent quarter end. Discuss any negative trends in the financial statements.

Not applicable. This Application is not being filed pursuant to Section 3(a)(1) of the BHC Act.

12. For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for the applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal. For any existing or proposed principal of the applicant or the Bank/Bank Holding Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:

a. Name, address, and title or position with Applicant, Bank/Bank Holding Company, and any other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);

b. **Number and percentage of each class of shares of the applicant and the Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;**

c. **Principal occupation if other than with the applicant or the Bank/Bank Holding Company; and**

d. **Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent of more of any class of shares. (Information that has been collected or updated within the past 12 months may be submitted, unless the applicant has reason to believe that such information is incorrect; and**

e. **For any new (to applicant) principal shareholders, directors, or senior executive officer, provide an IBFR including completion of all required financial information.**

The Applicant’s board of directors and management will remain the same following the consummation of the Proposed Transaction.

None of the existing or proposed principals of the Applicant is also a principal of any other depository institution or depository institution holding company.

For additional information regarding U.S. Bancorp’s current directors and management, please see Public Exhibit 7.

13. If the consolidated assets of the resulting organization are less than the asset threshold of the Board's Small Bank Holding Company Policy Statement for each principal of the applicant who either would retain personal indebtedness or act as guarantor for any debt that was incurred in the acquisition of shares of the applicant or the Bank/Bank Holding Company, provide the following:

a. **Name of borrower and title, position, or other designation that makes the borrower a principal of the applicant;**

b. **Amount of personal indebtedness to be retained;**

c. **A description of the terms of the borrowing, the name and location of the lender, and a copy of any related loan agreement or loan commitment letter from the lender;**

d. **Statement of net worth as of a date within three months of the applicant’s final filing of the application. The statement of net worth should be in sufficient detail to indicate each principal group of assets and liabilities of the reporting principal, and the basis for the valuation of assets (provide supporting documentation, as appropriate). In addition to debts and liabilities, the reporting principal should state on a separate schedule, any endorsed, guaranteed, or otherwise indirect or contingent liability for the obligation of others; and**

e. **Statement of most current year's income. In addition to indicating each principal source of annual income, the reporting principal should list annual fixed obligations arising from amortization and other debt servicing. (If the most current year's statement is not representative of the future, the reporting principal should submit a pro forma income statement and discuss the significant changes and the basis for those changes.)**

Not applicable.

14. **Describe any litigation or investigation by local, state, or federal authorities involving the applicant or any of its subsidiaries or the target or any of its subsidiaries that is currently pending or was resolved within the last two years.**

For a list of litigation or investigations by governmental authorities involving the Applicant or its subsidiaries, please refer to Confidential Exhibit 14.

With regard to private litigation matters, the Applicant notes that starting in 2011, U.S. Bancorp and other large financial institutions have been sued in their capacity as trustee for residential mortgage–backed securities trusts. In the lawsuits brought against U.S. Bancorp, the investors allege that U.S. Bank, as trustee, caused them to incur substantial losses by failing to enforce loan repurchase obligations and failing to abide by appropriate standards of care after events of default allegedly occurred. The plaintiffs in these matters seek monetary damages in unspecified amounts and most also seek equitable relief.

The Applicant notes that U.S. Bancorp and its subsidiaries are subject to various other private litigation matters that arise in the ordinary course of its business, and that it is continually subject to regulatory examinations and inquiries. U.S. Bancorp believes the ultimate resolution of such ordinary course litigation and regulatory matters will not have a material adverse effect on the financial condition, results of operations or cash flows of U.S. Bancorp. However, uncertainties are inherent in these matters.

Union Bank and its subsidiaries are similarly subject to various pending and threatened legal actions that arise in the normal course of business. Union Bank believes that the disposition of all claims currently pending and claims for loss contingencies that are considered reasonably possible to occur, will not have a material effect, either individually or in the aggregate, on its consolidated financial condition, operating results or liquidity.

With regard to regulatory or government investigation matters within the last two years, Union Bank notes that it entered into a consent order with the OCC (AA-EC-2019-36) pursuant to which the OCC initiated a civil monetary penalty action against Union Bank for alleged violations of the Flood Disaster Protection Act, and Union Bank agreed to pay (without admitting or denying any wrongdoing) a civil monetary penalty of $109,667. Union Bank also entered into the Consent Order with the OCC on September 20, 2021, as described further in Part IV.B.2. of the Preliminary Statement. For information regarding certain other litigation or investigations by governmental authorities involving Union Bank or its subsidiaries, please refer to Confidential Exhibit 15.

Both the Applicant and Union Bank note that it can be years before litigation and regulatory matters are resolved, particularly where matters are in early stages, where there may be significant factual or legal issues to be resolved, or where there may be uncertainty as to the outcome of pending motions, appeals or proceedings. In addition, the Applicant and Union Bank note that each is subject to legal restrictions on its ability to disclose confidential supervisory information, confidential investigative information, and other confidential information that is considered the property of regulatory agencies. The Applicant and Union Bank respectfully request that Board and Reserve Bank staff seek information directly from the other applicable regulatory agencies regarding any governmental inquiries as to which the Applicant and Union Bank may not be legally permitted to share information in this Application.

III. COMPETITION

15. Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board's Rules Regarding Delegation of Authority (section 265.11c(11)(v)). The applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of such divestiture.

For the response to this Item, please refer to Part IV.A. of the Preliminary Statement (Competition) and the exhibits referenced therein. The Applicant does not currently expect the Proposed Transaction to involve divestiture of all or any portion of any bank or nonbanking company.

16. If the proposal involves the acquisition of nonbank operations under sections 4(c)(8) and 4(j) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3 filing. At a minimum, the information related to the nonbank operations should include the following:

- **a. A description of the proposed activity(ies);**
- **b. The name and location of Applicant's and Bank's direct or indirect subsidiaries that engage in the proposed activity(ies);**
- **c. Identification of the geographic and product markets in which competition would be affected by the proposal;**
- **d. A description of the effect of the proposal on competition in the relevant markets; and**
- **e. A list of major competitors in each affected market.**

In addition, Applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided. A list of major competitors in each affected market.

Not applicable.

17. In an application in which any principal of the applicant or the Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of the Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.

None of the principals of the Applicant, U.S. Bank, MUFG Americas or Union Bank are principals of any other depository institution or depository institution holding company that is not affiliated with the Applicant or MUFG Americas.

IV. CONVENIENCE AND NEEDS

18. Describe how the proposal would assist in meeting the convenience and needs of the community(ies) to be served, including but not limited to the following:

- **a. Summarize efforts undertaken or contemplated by the applicant to ascertain and address the needs of the community(ies) to be served, including community outreach activities, as a result of the proposal.**
- **b. For the combining institutions, list any significant anticipated changes in services or products offered by the depository subsidiary (ies) of the applicant or target that would result from the consummation of the transaction.**
- **c. To the extent that any products or services of the depository subsidiary (ies) of the applicant or target would be offered in replacement of any products or services to be discontinued, indicate what these are and how they would assist in meeting the convenience and needs of the communities affected by the transaction.**
- **d. Discuss any enhancements in products or services expected to result from the transaction.**

For the response to this Item, please refer to Part IV.C. of the Preliminary Statement (Convenience and Needs of the Community).

19. Describe how the applicant and resultant institution, including its depository subsidiary (ies) would assist in meeting the existing and anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) and its implementing regulations, including the needs of low- and moderate income geographies and individuals. This discussion should include, but not necessarily be limited to, a description of the following:

- **a. The significant current and anticipated programs, products, and activities, including lending, investments, and services, as appropriate, of the depository subsidiary (ies) of the applicant and the resultant institution.**

b. The anticipated CRA assessment areas of the depository subsidiary(ies) of the combined institution. If assessment areas of the depository subsidiary(ies) of the resultant institution would not include any portion of the current assessment area of that subsidiary, describe the excluded areas.

c. The plans for administering the CRA program for the depository subsidiary (ies) of the resultant institution following the transaction.

d. The plans for administering the CRA program for the depository subsidiary (ies) of the resultant institution following the transaction. For a subsidiary of the applicant or target that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or multi-state Metropolitan Statistical Area (MSA), or has received an evaluation of less than satisfactory performance in an MSA or in the nonMSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution's CRA performance record since the rating.

For the response to this Item, please refer to Part IV.D. of the Preliminary Statement (Community Reinvestment Act Performance) and the exhibits referenced therein.

20. List all offices of the depository subsidiary (ies) of the applicant or target that (a) will be established or retained as branches, including the main office, of the target's depository subsidiary (ies), (b) are approved but unopened branch(es) of the target's depository subsidiary (ies), including the date the current federal and state agencies granted approval(s), and (c) are existing branches that will be closed or consolidated as a result of the proposal (to the extent the information is available) and indicate the effect on the branch customers served. For each branch, list the popular name, street address, city, county, state, and zip code specifying any that are in low- and moderate-income geographies.

(a) For a list of U.S. Bank's main office and branches, please see Public Exhibit 2. For a list of Union Bank's main office and branches, please see Public Exhibit 3.

(b) Union Bank does not currently have any approved but unopened branches. Set forth below are the locations of U.S. Bank's approved but unopened branches:

POP. NAME	ADDRESS	CITY	STATE	ZIP	COUNTY	INCOME DES.
City of Industry	17501 Colima Rd	City of Industry	CA	91748	Los Angeles	Middle
4th and Montgomery	1810 SW 5th Ave	Portland	OR	97201	Multnomah	Moderate
Twin Lakes	33650 21st Ave SW	Federal Way	WA	98023	King	Middle
Marysville	3721 116th St NE	Marysville	WA	98271	Snohomish	Middle
KC Plaza West	4600 Madison Ave	Kansas City	MO	64112	Jackson	Moderate
Aptos CA	96 Rancho Del Mar	Aptos	CA	95003	Santa Cruz	Middle
Blakeney	9836 Rea Road	Charlotte	NC	28277	Mecklenburg	Upper

(c) The Applicant's evaluation as to whether certain branches of Union Bank or U.S. Bank will be closed or consolidated with U.S. Bank's other branches, based on proximity to one another or for other business reasons, remains ongoing. It is expected that decisions regarding any such branch closures will be made based on convenience to the public (including consideration of the level of service to low- and moderate-income individuals and geographies to ensure continued compliance with the CRA), capacity of the receiving branch and other factors, and any closures or consolidations will be effected in accordance with federal law, OCC guidance, and the Applicant's branch closing policy. Prior to the Bank Merger, Union Bank and U.S. Bank expect to continue to engage in ordinary course branch management, with such ordinary course branch management likewise conducted in accordance with federal law, OCC guidance, and the parties' respective branch closing policies.

The Applicant notes that U.S. Bank is committed to staying in every market that Union Bank currently serves in California, Washington and Oregon. Although banking is increasingly being done online, U.S. Bank strongly believes the future of banking includes a combination of the digital and physical world, and recognizes that customers appreciate the opportunity to visit their local branch or engage with professionals within their local communities to have a meaningful conversation about their financial goals, future and aspirations.

The Applicant further notes that following the closing of the Proposed Transaction, U.S. Bank is committed to retaining all of Union Bank's front-line branch employees. These bankers are frequently the first people customers and prospective customers speak to. They have demonstrated a tremendous ability to serve Union Bank's customers, and U.S. Bank looks forward to having these branch employees join the bank's team of talented West Coast employees. For Union Bank employees, joining a regional bank with increased scale and a larger U.S. geographic footprint will allow for additional opportunities for advancement and ways in which they can build a banking career.

V. INTERSTATE BANKING

21. If the transaction involves the acquisition of a bank located in a State other than the home State of the applicant, please provide the following information, as applicable:

a. Identify any host state(s) involved with this transaction that require the target to be in operation for a minimum number of years and discuss compliance with this age requirement.

b. Discuss compliance with nationwide and statewide deposit concentration limits to the transaction.

c. Discuss compliance with state-imposed deposit caps.

d. Discuss compliance with community reinvestment laws.

e. Discuss any other restrictions that the host state(s) seek to apply (including state antitrust restrictions).

For the response to this Item, please refer to Part IV.F. of the Preliminary Statement (Interstate Banking and Deposit Cap Analysis).

VI. FINANCIAL STABILITY

If either the acquirer or the target's total assets exceeds $10 billion as of the most recent quarter for which data is available, address the following questions:

22. If either the acquirer or the target conducts any cross-border activities, please describe the nature of these activities and the amounts of cross-border assets and liabilities as of the most recent quarter for which data is available.

For the response to this Item, please refer to Part IV.G. of the Preliminary Statement (Financial Stability Considerations) and the exhibits referenced therein.

23. For each financial service below, if the dollar volume related to the service provided either by the acquirer or the target exceeds $1 billion, please report the annual volume over the past 12 months (otherwise, do not report).

For the response to this Item, please refer to Confidential Exhibit 16.