

A blue line graphic consisting of a vertical line on the left, a horizontal line extending to the right, and a pentagonal shape below it.

# U.S. Bank & Renewable Energy Finance

*April 2021 – MO PSC Presentation*

**Presenter**

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# U.S. Bank is a Leader in Financial Services

## Leading Statistics<sup>1</sup>

- The 5<sup>th</sup> largest U.S. commercial bank with \$554 billion in assets, \$302 billion average loans, and \$422 billion in average total deposits reported for 4Q20
- Average loans increased Q/Q by \$7.4 billion (+2.5%), while average total deposits increased by \$66.0 billion Q/Q (+18.5%)
- Recognized in 2Q20 as the most essential bank according to The Harris Poll's "The Essential 100: Company Reputation Amid COVID-19", and No. 64 overall, reflecting the trust we have in each other and with our communities, customers and shareholders
- Recently named a top 10 percent performer on the 2020 "Diversity Best Practices Inclusion Index" for the third consecutive year
- During periods of stress, USB's disciplined credit culture remains strong, driven primarily by consistent underwriting standards

## One of The Highest Valuations of Any Domestic Bank

U.S. Rank	Commercial Bank	Market Value <sup>2</sup>	Total Assets <sup>1</sup>	Market Value / Total Assets
1	PNC	68	467	14.5%
2	Truist Financial Corp	73	509	14.3%
3	<b>U.S. Bancorp</b>	<b>72</b>	<b>554</b>	<b>13.0%</b>
4	Regions Financial	19	147	12.8%
5	J.P. Morgan	427	3,386	12.6%
6	Fifth Third	23	205	11.4%
7	KeyCorp	19	170	10.9%
8	Bank of America	287	2,820	10.2%
9	Wells Fargo	138	1,955	7.1%
10	Citigroup	133	2,260	5.9%

<sup>1</sup> As of 12/31/2020

<sup>2</sup> As of 2/10/2021

Source: SEC Filings, Bloomberg, and Moody's and S&P Holding Company Ratings

## Strong Credit Ratings<sup>2</sup>

U.S. Rank	Company	Moody's	S&P
1	<b>U.S. Bancorp</b>	<b>A1 (n)</b>	<b>A+</b>
2	JP Morgan Chase & Co.	A2	A-
3	Bank of America Corp.	A2	A-
4	Wells Fargo & Co.	A2 (n)	BBB+
5	PNC Financial Services Group	A3	A-
6	Truist Financial Corp	A3	A-
7	Citigroup Inc.	A3	BBB+
8	Fifth Third Bancorp	Baa1	BBB+
9	Keycorp	Baa1	BBB+
10	Regions Financial Corp.	Baa2	BBB+

## Low Unsecured Bank Issuance Cost

Bank	Tenor	Amount (\$MM)	Spread to Treasury	Coupon (%)	Date Issued
JPMorgan Chase & Co.	6NC5 FTF	\$2,000	62	1.040%	1/28/2021
Morgan Stanley	6NC5 FTF	\$2,500	60	0.985%	12/7/2020
Goldman Sachs	6NC5 FTF	\$2,200	67	1.093%	12/4/2020
Goldman Sachs BDC	Long 5 year	\$500	255	2.875%	11/19/2020
JPMorgan Chase & Co.	6NC5 FTF	\$2,750	65	1.045%	11/12/2020
Morgan Stanley	5NC4 FTF	\$1,000	55	0.864%	10/16/2020
Bank of America	6NC5 FTF	\$2,500	88	1.197%	10/16/2020
Truist Financial Corp	5 year	\$750	90	1.200%	6/2/2020
Santander Holdings USA	5 year	\$1,000	315	3.450%	5/27/2020
First Horizon National Corp	5 year	\$350	375	4.000%	5/20/2020
Regions Financial Corp	5 year	\$750	200	2.250%	5/13/2020
<b>US Bancorp</b>	<b>5 year</b>	<b>\$1,500</b>	<b>115</b>	<b>1.450%</b>	<b>5/8/2020</b>
Citizens Bank NA	5 year	\$750	190	2.250%	4/27/2020
Bank of New York Mellon	5 year	\$1,250	125	1.600%	4/17/2020
The Goldman Sachs Group Inc.	5 year	\$3,500	300	3.500%	3/26/2020

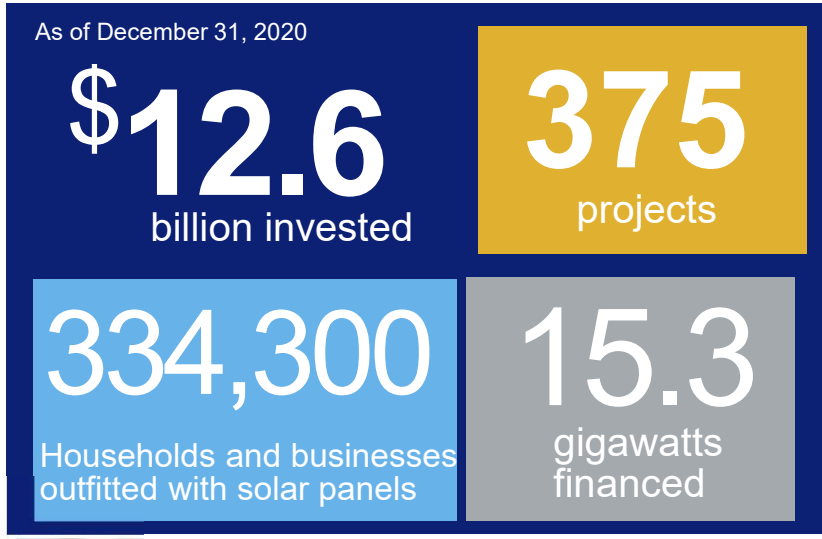
**U.S. Bank has  
been named  
one of the  
2021 World's  
Most Ethical  
Companies by  
the Ethisphere  
Institute.**

Seventh consecutive year

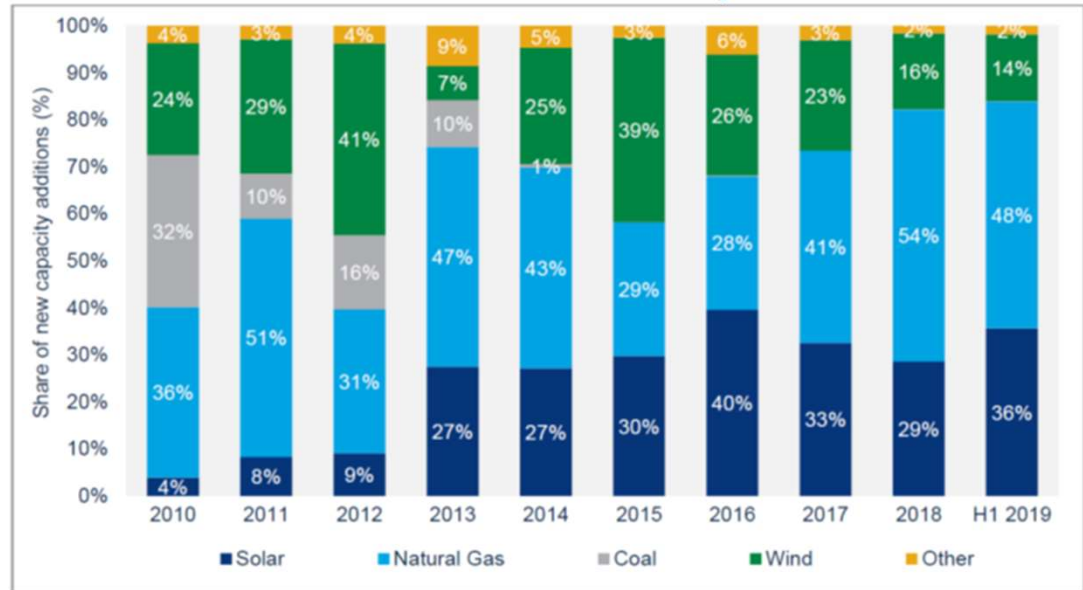
Our commitment to doing the right thing is at the heart of everything we do. We build relationships based on trust, and this honor reflects the work we do every day to earn and keep the trust of our employees, customers and the communities where we live and work.



# U.S. Bank Community Development Corporation Renewable Energy Investing

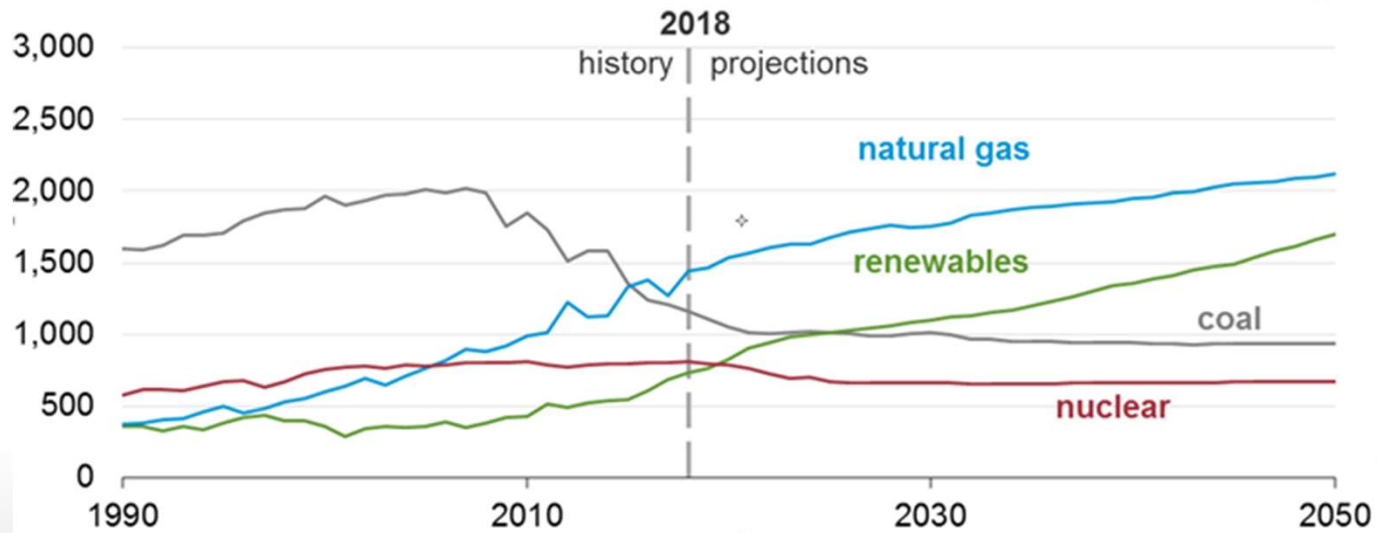


Solar still less than 3% of total U.S. generating capacity but has consistently been one of the **top sources of new generation additions** in recent years.



Source: Wood Mackenzie Power & Renewables, FERC (all other technologies)

**Electricity generation from selected fuels (Reference case)**  
billion kilowatthours





# Solar – Utility Scale

- Transmission tied projects in which energy is sold on a wholesale basis to a load serving entity, often a utility under long term Power Purchase Agreements (“PPAs”)
- If energy market is regulated or deregulated (or partially deregulated), energy may also be sold directly to non-utilities (i.e. ERCOT)



# Solar – Residential

- “Behind-the-meter” solar in which rooftop systems provide power (via PPA or lease) to the customer as an offset to the customer’s utility bill
- PPAs are structured to provide customers immediate and/or long-term savings on their energy costs without the up-front expense of purchasing a system
- Systems are effectively “kits” and vary little from home to home. Customer agreements are fully standardized. ABS market has emerged.



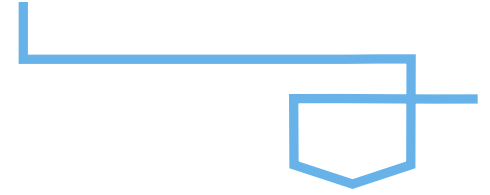
# Solar – Commercial and Industrial

- Flexible terms, varying counterparties.
  - Retail
  - Community Solar
  - Industrials
  - Municipalities
  - Schools and Universities





# Tax Credit Specifics

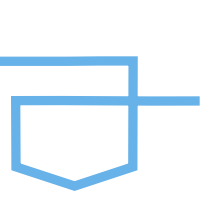


## Investment Tax Credit:

- 1-year credit earned at project completion, 5-year compliance/recapture period
  - **Solar ITC:**
    - 30% if having begun construction by 12/31/2019
    - 26% if having begun construction by 12/31/2023
    - 10% thereafter
    - Begun construction safe harbor through 1/1/2026
  - **Wind Offshore ITC**
    - 30% if having begun construction by 12/31/2025
    - Begun construction safe harbor through 1/1/2036 allows projects to qualify for the ITC

## Production Tax Credit:

- Production based credit earned at title transfer of electron
  - 100% if having begun construction 12/31/2016
  - 80% if having begun construction 12/31/2017
  - 60% if having begun construction 12/31/2018
  - 40% if having begun construction 12/31/2019
  - 60% if having begun construction 12/31/2020
  - Begun construction safe harbor of 4 years for projects 2018+



# Renewables Financing

- Tax equity typically makes up 35-50% of permanent capital
- Debt and sponsor equity making up the remainder
- Construction debt:
  - Construction-to-term (sized to term facility)
  - ITC bridge (if applicable)
- Term debt:
  - Sized to likely and worst-case production scenarios
  - Amortization over the length of the PPA (generally)

# Investing and underwriting fundamentals



- Regardless of asset class, most solar transactions are distinguished by a few fundamentals:
  - Developers with a history of solar development and ownership
  - Solar is a 35-year + EUL asset
  - Long-term power contracts with quality credit off-takers (utilities, investment grade corporates, high FICO resi)
  - Qualified Engineering, Procurement and Construction (“EPC”) contractors
  - Qualified Operations and Maintenance (“O&M”) contractors
  - Industry-standard equipment warranties and insurance (builder’s risk, liability, property)