



# News Release

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## U.S. BANCORP REPORTS RECORD NET INCOME FOR THE SECOND QUARTER OF 2006

EARNINGS SUMMARY								Table 1
(\$ in millions, except per-share data)								
	2Q 2006	1Q 2006	2Q 2005	Percent Change 2Q06 vs 1Q06	Percent Change 2Q06 vs 2Q05	YTD 2006	YTD 2005	Percent Change
Net income	\$1,201	\$1,153	\$1,121	4.2	7.1	\$2,354	\$2,192	7.4
Diluted earnings per common share	.66	.63	.60	4.8	10.0	1.29	1.17	10.3
Return on average assets (%)	2.27	2.23	2.23			2.25	2.22	
Return on average common equity (%)	24.3	23.3	22.7			23.8	22.3	
Net interest margin (%)	3.68	3.80	3.99			3.74	4.03	
Efficiency ratio (%)	44.4	44.9	48.3			44.6	45.1	
Tangible efficiency ratio (%) (a)	41.8	42.4	42.8			42.1	41.2	
Dividends declared per common share	\$.33	\$.33	\$.30	--	10.0	\$.66	\$.60	10.0
Book value per common share (period-end)	10.89	10.80	10.88	.8	.1			

(a) computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net and intangible amortization.

**MINNEAPOLIS, July 18, 2006** – U.S. Bancorp (NYSE: USB) today reported net income of \$1,201 million for the second quarter of 2006, compared with \$1,121 million for the second quarter of 2005. Net income of \$.66 per diluted common share in the second quarter of 2006 was higher than the same period of 2005 by 10.0 percent, or \$.06 per diluted common share. Return on average assets and return on average common equity were 2.27 percent and 24.3 percent, respectively, for the second quarter of 2006, compared with returns of 2.23 percent and 22.7 percent, respectively, for the second quarter of 2005.

U.S. Bancorp Chairman and Chief Executive Officer Jerry A. Grundhofer said, “Historically, the second quarter of the year is one of the Company’s strongest, and this year was no exception. Our earnings per diluted common share grew by ten percent over the same quarter of 2005 and 4.8 percent over the first quarter of 2006. We achieved industry-leading performance metrics of return on assets of 2.27 percent and return on average common equity of 24.3 percent. We recorded

exceptional growth in fee revenue, and that growth, coupled with controlled expenses, led to a tangible efficiency ratio for the quarter of 41.8 percent. Growing revenue faster than expense has always been a goal of this Company, and we did just that this quarter. As a result, we created positive operating leverage on both a year-over-year and linked quarter basis.

“The growth in noninterest income was 13.9 percent year-over-year. Our payments and fiduciary businesses were the primary contributors to the increase in fee income, both of which recorded solid organic growth, as well as incremental revenue from recent acquisitions. In addition, consumer banking posted strong increases in deposit service charges year-over-year.

“Once again, credit quality was outstanding. These results are the direct benefit of our efforts to reduce the overall risk profile of the Company. Going forward, we will continue to focus on acquiring high quality credits and maintaining our current risk profile. The offset may be slightly lower spread income and loan growth, but the reward should be lower overall credit costs during the next credit cycle.

“Total average loans increased year-over-year by 7.3 percent, while total average earning assets rose by 4.6 percent. Despite the increase in average earning assets, net interest income for the quarter was lower than the same period of last year, as our net interest margin declined to 3.68 percent. Competitive pricing and growth in lower-spread assets, given the current interest rate environment, had a significant impact on the margin. Our challenge going forward will be to grow credit products at reasonable spreads that compensate for the risk involved. We can compete effectively in this environment given our powerful fee-based product set and our status as a low-cost producer.

“We announced two acquisitions in June. First, we signed a definitive agreement to purchase Vail Banks, Inc., the parent company of WestStar Bank. This acquisition will add 24 new branch locations to our franchise in western Colorado. Second, we announced the purchase of Schneider Payment Services, a division of Schneider National, Inc. These two small acquisitions fit very well into our expansion strategy. The Colorado branches will enhance our distribution in attractive, growing markets, while Schneider Payment Services will expand our current fee-based freight payment offerings and business opportunities.

“I am very pleased overall with our second quarter results. These results demonstrate that our Company can produce high-quality earnings for our shareholders by leveraging its balanced

business mix, advantaged scale, reduced risk profile, low-cost leadership and dedication to customer service.”

The Company’s results for the second quarter of 2006 improved over the same period of 2005, as net income increased by \$80 million (7.1 percent), primarily due to strong growth in a majority of fee-based products. Included in the second quarter of 2006 results was a \$35 million gain related to the Company’s proportionate share of the initial public offering of MasterCard, Incorporated (“MasterCard IPO”).

Total net revenue on a taxable-equivalent basis for the second quarter of 2006 was \$3,452 million, \$150 million (4.5 percent) higher than the second quarter of 2005, primarily reflecting a 13.9 percent increase in noninterest income partially offset by a 3.6 percent decline in net interest income. Noninterest income growth was driven by organic business growth and recent expansion in trust and payment processing businesses, partially offset by lower mortgage banking revenue due to the impact of adopting Statement of Financial Accounting Standards No. 156, “Accounting for Servicing of Financial Assets” (“SFAS 156”) in the first quarter of 2006. Mortgage banking revenue in the second quarter of 2006 was impacted primarily by the effect of principal repayments on the valuation of servicing rights that was previously recognized as part of intangible expense. Total noninterest expense in the second quarter of 2006 was \$1,530 million, \$65 million (4.1 percent) lower than the second quarter of 2005, primarily reflecting lower intangible expense due to the adoption of SFAS 156 and lower debt prepayment expense. This was partially offset by incremental operating and business integration costs principally associated with recent acquisitions, increased pension costs and higher expenses related to investments in tax-advantaged projects from a year ago.

Provision for credit losses for the second quarter of 2006 was \$125 million, a decrease of \$19 million from the second quarter of 2005. The decrease in the provision for credit losses year-over-year primarily reflected strong credit quality and the near-term favorable impact of changes in bankruptcy law in the fourth quarter of 2005. Net charge-offs in the second quarter of 2006 were \$125 million, compared with the first quarter of 2006 net charge-offs of \$115 million and the second quarter of 2005 net charge-offs of \$144 million. Total nonperforming assets were \$550 million at June 30, 2006, compared with \$619 million at March 31, 2006, and \$610 million at June 30, 2005. The ratio of the allowance for credit losses to nonperforming loans was 500 percent at June 30, 2006, compared with 432 percent at March 31, 2006, and 441 percent at June 30, 2005.

INCOME STATEMENT HIGHLIGHTS								Table 2
(Taxable-equivalent basis, \$ in millions, except per-share data)								
	2Q 2006	1Q 2006	2Q 2005	Percent Change 2Q06 vs 1Q06	Percent Change 2Q06 vs 2Q05	YTD 2006	YTD 2005	Percent Change
Net interest income	\$1,697	\$1,725	\$1,761	(1.6)	(3.6)	\$3,422	\$3,512	(2.6)
Noninterest income	1,755	1,614	1,541	8.7	13.9	3,369	2,923	15.3
Total net revenue	3,452	3,339	3,302	3.4	4.5	6,791	6,435	5.5
Noninterest expense	1,530	1,500	1,595	2.0	(4.1)	3,030	2,926	3.6
Income before provision and taxes	1,922	1,839	1,707	4.5	12.6	3,761	3,509	7.2
Provision for credit losses	125	115	144	8.7	(13.2)	240	316	(24.1)
Income before taxes	1,797	1,724	1,563	4.2	15.0	3,521	3,193	10.3
Taxable-equivalent adjustment	11	10	7	10.0	57.1	21	14	50.0
Applicable income taxes	585	561	435	4.3	34.5	1,146	987	16.1
Net income	\$1,201	\$1,153	\$1,121	4.2	7.1	\$2,354	\$2,192	7.4
Net income applicable to common equity	\$1,184	\$1,153	\$1,121	2.7	5.6	\$2,337	\$2,192	6.6
Diluted earnings per common share	\$.66	\$.63	\$.60	4.8	10.0	\$1.29	\$1.17	10.3

### Net Interest Income

Second quarter net interest income on a taxable-equivalent basis was \$1,697 million, compared with \$1,761 million recorded in the second quarter of 2005. Average earning assets for the period increased over the second quarter of 2005 by \$8.2 billion (4.6 percent), primarily driven by a \$3.7 billion (21.3 percent) increase in residential mortgages, a \$2.6 billion (6.0 percent) increase in total commercial loans, a \$2.2 billion (4.9 percent) increase in total retail loans and a \$1.2 billion (4.4 percent) increase in total commercial real estate loans. This was partially offset by a \$2.3 billion (5.3 percent) decrease in investment securities. The positive impact to net interest income from the growth in earning assets was more than offset by a lower net interest margin. The net interest margin in the second quarter of 2006 was 3.68 percent, compared with 3.99 percent in the second quarter of 2005. The decline in the net interest margin reflected the competitive lending environment during 2005, asset/liability management decisions and the impact of changes in the yield curve from a year ago. Since the second quarter of 2005, credit spreads have tightened by approximately 23 basis points across most lending products due to competitive pricing and a change in mix due to growth in lower-spread, fixed-rate credit products. The net interest margin also declined due to funding incremental asset growth with higher cost wholesale funding, share repurchases and asset/liability decisions designed to minimize the Company's rate sensitivity position. An increase in the margin benefit of net free funds and loan fees partially offset these factors.

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Net interest income in the second quarter of 2006 was lower than the first quarter of 2006 by \$28 million (1.6 percent). The net interest margin of 3.68 percent in the second quarter of 2006 was 12 basis points lower than the net interest margin of 3.80 percent in the first quarter of 2006. The decline in the net interest margin from the first quarter of 2006 was due to continued tightening of the credit spreads, incrementally funding a higher percentage of earning assets with wholesale funding and the ongoing impact of the flat yield curve. During the second quarter of 2006, credit spreads narrowed 7 basis points compared with the first quarter of 2006.

**NET INTEREST INCOME**

**Table 3**

(Taxable-equivalent basis; \$ in millions)

	2Q 2006	1Q 2006	2Q 2005	Change 2Q06 vs 1Q06	Change 2Q06 vs 2Q05	YTD 2006	YTD 2005	Change
<b>Components of net interest income</b>								
Income on earning assets	\$3,037	\$2,903	\$2,572	\$134	\$465	\$5,940	\$5,014	\$926
Expense on interest-bearing liabilities	1,340	1,178	811	162	529	2,518	1,502	1,016
Net interest income	\$1,697	\$1,725	\$1,761	\$(28)	\$(64)	\$3,422	\$3,512	\$(90)
<b>Average yields and rates paid</b>								
Earning assets yield	6.58%	6.40%	5.83%	.18%	.75%	6.49%	5.76%	.73%
Rate paid on interest-bearing liabilities	3.45	3.10	2.23	.35	1.22	3.28	2.10	1.18
Gross interest margin	3.13%	3.30%	3.60%	(.17)%	(.47)%	3.21%	3.66%	(.45)%
Net interest margin	3.68%	3.80%	3.99%	(.12)%	(.31)%	3.74%	4.03%	(.29)%
<b>Average balances</b>								
Investment securities	\$40,087	\$39,680	\$42,341	\$407	\$(2,254)	\$39,885	\$42,576	\$(2,691)
Loans	140,863	139,379	131,275	1,484	9,588	140,125	129,474	10,651
Earning assets	184,890	183,101	176,730	1,789	8,160	184,000	175,022	8,978
Interest-bearing liabilities	155,755	153,911	146,070	1,844	9,685	154,838	144,072	10,766
Net free funds (a)	29,135	29,190	30,660	(55)	(1,525)	29,162	30,950	(1,788)

(a) Represents noninterest-bearing deposits, allowance for loan losses, unrealized gain (loss) on available-for-sale securities, non-earning assets, other noninterest-bearing liabilities and equity.

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<b>AVERAGE LOANS</b>									<b>Table 4</b>
(\$ in millions)									
	<b>2Q</b>	<b>1Q</b>	<b>2Q</b>	<b>Percent</b>	<b>Percent</b>	<b>YTD</b>	<b>YTD</b>	<b>Percent</b>	
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>	<b>Change</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>	
				<b>2Q06 vs</b>	<b>2Q06 vs</b>				
				<b>1Q06</b>	<b>2Q05</b>				
Commercial	\$39,871	\$38,847	\$37,595	2.6	6.1	\$39,362	\$36,843	6.8	
Lease financing	5,199	5,078	4,922	2.4	5.6	5,139	4,918	4.5	
Total commercial	45,070	43,925	42,517	2.6	6.0	44,501	41,761	6.6	
Commercial mortgages	20,195	20,269	20,156	(.4)	.2	20,231	20,212	.1	
Construction and development	8,600	8,347	7,426	3.0	15.8	8,475	7,331	15.6	
Total commercial real estate	28,795	28,616	27,582	.6	4.4	28,706	27,543	4.2	
Residential mortgages	20,868	20,987	17,198	(.6)	21.3	20,927	16,517	26.7	
Credit card	7,360	7,120	6,527	3.4	12.8	7,241	6,472	11.9	
Retail leasing	7,115	7,250	7,314	(1.9)	(2.7)	7,182	7,256	(1.0)	
Home equity and second mortgages	15,035	14,935	15,003	.7	.2	14,985	14,924	.4	
Other retail	16,620	16,546	15,134	.4	9.8	16,583	15,001	10.5	
Total retail	46,130	45,851	43,978	.6	4.9	45,991	43,653	5.4	
Total loans	\$140,863	\$139,379	\$131,275	1.1	7.3	\$140,125	\$129,474	8.2	

Average loans for the second quarter of 2006 were \$9.6 billion (7.3 percent) higher than the second quarter of 2005, driven by growth in average residential mortgages of \$3.7 billion (21.3 percent), total commercial loans of \$2.6 billion (6.0 percent), total retail loans of \$2.2 billion (4.9 percent) and total commercial real estate loans of \$1.2 billion (4.4 percent). Average loans for the second quarter of 2006 were higher than the first quarter of 2006 by \$1.5 billion (1.1 percent), reflecting growth in the majority of loan categories. Residential mortgages remained relatively flat in the second quarter of 2006 compared with the first quarter of 2006. During the first quarter of 2006, the Company began selling an increased proportion of its residential mortgage loan production and anticipates that balances will remain essentially flat or decline somewhat during the next several quarters.

Average investment securities in the second quarter of 2006 were \$2.3 billion (5.3 percent) lower than in the second quarter of 2005. The change in the balance of the investment securities portfolio from a year ago principally reflected asset/liability management decisions to reduce the focus on residential mortgage assets given the changing rate environment and mix of loan growth. Additionally, the Company reclassified approximately \$460 million of principal-only securities to its trading account effective as of January 1, 2006, in connection with the adoption of SFAS 156.

During the second quarter of 2006, the Company maintained a mix of approximately 40 percent variable-rate securities.

AVERAGE DEPOSITS								Table 5
(\$ in millions)								
	2Q	1Q	2Q	Percent	Percent	YTD	YTD	Percent
	2006	2006	2005	Change	Change	2006	2005	Change
				2Q06 vs	2Q06 vs			
				1Q06	2Q05			
Noninterest-bearing deposits	\$28,949	\$28,837	\$29,148	.4	(.7)	\$28,893	\$28,784	.4
Interest-bearing deposits								
Interest checking	23,333	23,141	23,024	.8	1.3	23,238	23,085	.7
Money market savings	26,981	27,378	29,563	(1.5)	(8.7)	27,178	29,911	(9.1)
Savings accounts	5,720	5,689	5,886	.5	(2.8)	5,705	5,927	(3.7)
Total of savings deposits	56,034	56,208	58,473	(.3)	(4.2)	56,121	58,923	(4.8)
Time certificates of deposit less than \$100,000	13,689	13,505	13,152	1.4	4.1	13,598	13,066	4.1
Time deposits greater than \$100,000	22,561	21,613	20,459	4.4	10.3	22,089	19,559	12.9
Total interest-bearing deposits	92,284	91,326	92,084	1.0	.2	91,808	91,548	.3
Total deposits	\$121,233	\$120,163	\$121,232	.9	--	\$120,701	\$120,332	.3

Average noninterest-bearing deposits for the second quarter of 2006 remained relatively flat, decreasing only \$199 million (.7 percent) compared with the second quarter of 2005 despite a reduction of excess liquidity in the markets.

Average total savings deposits declined year-over-year by \$2.4 billion (4.2 percent) due to reductions in average money market savings and savings accounts. Average money market savings balances declined by \$2.6 billion (8.7 percent) year-over-year, primarily due to a decline in balances within the branches. This was partially offset by increases in broker dealer and corporate trust balances. The overall decrease in average money market savings balances year-over-year was primarily the result of the Company's deposit pricing decisions for money market products in relation to other fixed-rate deposit products offered. A portion of branch based money market savings accounts have migrated to fixed-rate time certificates, while larger customer money market savings accounts have migrated to time deposits greater than \$100,000 as rates increased on the time deposit products.

Average time certificates of deposit less than \$100,000 were higher in the second quarter of 2006 than the second quarter of 2005 by \$537 million (4.1 percent). The Company experienced year-over-year growth in average time deposits greater than \$100,000 of \$2.1 billion (10.3 percent). This growth was broad-based across most areas of the bank including; corporate, commercial,

branch banking, private client and corporate trust, as customers migrated balances to higher rate deposits.

Average noninterest-bearing deposits for the second quarter of 2006 increased modestly compared with the first quarter of 2006 principally representing seasonal deposit balances. Total savings deposits declined slightly, \$174 million (.3 percent) from the first quarter of 2006 while fixed-rate time certificates and time deposits greater than \$100,000 increased by \$1.1 billion reflecting the impact of product pricing decisions by the Company.

<b>NONINTEREST INCOME</b>								<b>Table 6</b>
(\$ in millions)								
	<b>2Q</b>	<b>1Q</b>	<b>2Q</b>	<b>Percent</b>	<b>Percent</b>	<b>YTD</b>	<b>YTD</b>	<b>Percent</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>	<b>Change</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
				<b>2Q06 vs</b>	<b>2Q06 vs</b>			
				<b>1Q06</b>	<b>2Q05</b>			
Credit and debit card revenue	\$202	\$182	\$177	11.0	14.1	\$384	\$331	16.0
Corporate payment products revenue	139	127	120	9.4	15.8	266	227	17.2
ATM processing services	61	59	57	3.4	7.0	120	104	15.4
Merchant processing services	253	213	198	18.8	27.8	466	376	23.9
Trust and investment management fees	314	297	253	5.7	24.1	611	500	22.2
Deposit service charges	264	232	234	13.8	12.8	496	444	11.7
Treasury management fees	116	107	117	8.4	(.9)	223	224	(.4)
Commercial products revenue	107	104	100	2.9	7.0	211	196	7.7
Mortgage banking revenue	75	24	110	nm	(31.8)	99	212	(53.3)
Investment products fees and commissions	42	38	39	10.5	7.7	80	78	2.6
Securities gains (losses), net	3	--	1	nm	nm	3	(58)	nm
Other	179	231	135	(22.5)	32.6	410	289	41.9
<b>Total noninterest income</b>	<b>\$1,755</b>	<b>\$1,614</b>	<b>\$1,541</b>	<b>8.7</b>	<b>13.9</b>	<b>\$3,369</b>	<b>\$2,923</b>	<b>15.3</b>

### Noninterest Income

Second quarter noninterest income was \$1,755 million, an increase of \$214 million (13.9 percent) from the same quarter of 2005 and \$141 million (8.7 percent) higher than the first quarter of 2006. The increase in noninterest income over the second quarter of 2005 was driven by favorable variances in the majority of fee income categories and the impact of the MasterCard IPO gain included in other income. This strong growth in revenue was partially offset by the accounting impact of SFAS 156 on mortgage banking revenue.

Credit and debit card revenue and corporate payment products revenue were both higher in the second quarter of 2006 than the second quarter of 2005 by \$25 million and \$19 million, or 14.1



percent and 15.8 percent, respectively. The strong growth in credit and debit card revenue was primarily driven by higher customer transaction volumes. The corporate payment products revenue growth reflected organic growth in sales volumes and card usage. Merchant processing services revenue was higher in the second quarter of 2006 than the same quarter a year ago by \$55 million (27.8 percent), reflecting an increase in sales volume driven by acquisitions, higher same store sales and equipment fees. Trust and investment management fees increased by \$61 million (24.1 percent) year-over-year, due to improved equity market conditions, incremental account growth and customer balances and the acquisition of the corporate and institutional trust business of Wachovia Corporation. Deposit service charges grew year-over-year by \$30 million (12.8 percent) due to increased transaction-related fees. Other income was higher by \$44 million (32.6 percent) as compared to the second quarter of 2005, primarily due to the gain on the MasterCard IPO. These favorable changes in fee-based revenue were partially offset by the decline in mortgage banking revenue, principally driven by the adoption of the fair value method of accounting for mortgage servicing rights (\$33 million).

Noninterest income was higher in the second quarter of 2006 than the first quarter of 2006 by \$141 million (8.7 percent). This reflected a \$20 million (11.0 percent) increase in credit and debit card revenue and a \$12 million (9.4 percent) increase in corporate payment products revenue due primarily to organic growth and seasonally higher transaction volume. Merchant processing services revenue increased by \$40 million (18.8 percent), due primarily to higher same store sales volumes, pricing enhancements and recent business acquisitions. Trust and investment management fees and treasury management fees increased over the first quarter of 2006 by \$17 million (5.7 percent) and \$9 million (8.4 percent), respectively, due to seasonal tax-related processing volumes. Mortgage banking revenue was \$51 million higher in the second quarter of 2006 due primarily to losses on principal-only securities and a hedging/mortgage servicing rights valuation mismatch due to the adoption of SFAS 156 in the first quarter of 2006. Other revenue decreased primarily due to a \$44 million gain on certain interest rate swaps and a favorable settlement within the merchant processing business recorded in the first quarter of 2006, as well as lower gains on student loan sales and equity investment income in the second quarter of 2006 as compared with the first quarter of 2006, partially offset by the MasterCard IPO gain recorded in the current quarter.

<b>NONINTEREST EXPENSE</b>								<b>Table 7</b>
(\$ in millions)								
	<b>2Q</b>	<b>1Q</b>	<b>2Q</b>	<b>Percent</b>	<b>Percent</b>	<b>YTD</b>	<b>YTD</b>	<b>Percent</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>	<b>Change</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
				<b>2Q06 vs</b>	<b>2Q06 vs</b>			
				<b>1Q06</b>	<b>2Q05</b>			
Compensation	\$627	\$633	\$612	(.9)	2.5	\$1,260	\$1,179	6.9
Employee benefits	123	133	108	(7.5)	13.9	256	224	14.3
Net occupancy and equipment	161	165	159	(2.4)	1.3	326	313	4.2
Professional services	41	35	39	17.1	5.1	76	75	1.3
Marketing and business development	58	40	67	45.0	(13.4)	98	110	(10.9)
Technology and communications	127	117	113	8.5	12.4	244	219	11.4
Postage, printing and supplies	66	66	63	--	4.8	132	126	4.8
Other intangibles	89	85	181	4.7	(50.8)	174	252	(31.0)
Debt prepayment	11	--	54	nm	(79.6)	11	54	(79.6)
Other	227	226	199	.4	14.1	453	374	21.1
<b>Total noninterest expense</b>	<b>\$1,530</b>	<b>\$1,500</b>	<b>\$1,595</b>	<b>2.0</b>	<b>(4.1)</b>	<b>\$3,030</b>	<b>\$2,926</b>	<b>3.6</b>

### Noninterest Expense

Second quarter noninterest expense totaled \$1,530 million, a decrease of \$65 million (4.1 percent) from the same quarter of 2005 and a \$30 million (2.0 percent) increase from the first quarter of 2006. The decrease from a year ago primarily reflected the impact of adopting SFAS 156 on other intangible expense and lower debt prepayment expense. Compensation expense was higher year-over-year by \$15 million (2.5 percent) primarily due to the corporate and institutional trust and payments processing acquisitions and other growth initiatives. Benefits expense increased from the second quarter of 2005 primarily due to higher pension costs. Technology and communications expense rose by \$14 million (12.4 percent) due to increased software expense and higher outside data processing expense principally associated with expanding a prepaid gift card program and the corporate and institutional trust acquisition. Other expense increased in the second quarter of 2006 from the same quarter of 2005 by \$28 million (14.1 percent) primarily due to increased investments in tax-advantaged projects relative to a year ago and business integration costs. Offsetting these expense increases was a year-over-year decline in other intangible expense of \$92 million (50.8 percent), reflecting the elimination of mortgage servicing rights amortization and impairment due to the adoption of SFAS 156, and lower debt prepayment expense of \$43 million.

Noninterest expense in the second quarter of 2006 was higher than the first quarter of 2006 by \$30 million (2.0 percent). The increase in noninterest expense in the second quarter of 2006 from the first quarter of 2006 was primarily due to operating costs from acquired businesses, an \$18 million (45.0 percent) increase in marketing and business development due to the timing of marketing initiatives in consumer banking and payment systems, and debt prepayment expenses of \$11 million. Partially offsetting these increases was a decline in compensation expense due to the incremental stock-based compensation expense in the first quarter of 2006 related to adopting Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R") and lower benefits expense related to seasonal changes in payroll taxes and other benefits.

#### Provision for Income Taxes

The provision for income taxes for the second quarter of 2006 resulted in an effective tax rate of 32.8 percent compared with an effective tax rate of 28.0 percent in the second quarter of 2005 and an effective tax rate of 32.7 percent in first quarter of 2006. The increase in the effective rate from the same quarter of the prior year was due to a \$94 million reduction in income tax expense in the second quarter of 2005 related to the resolution of federal tax examinations covering substantially all of the Company's legal entities for years 2000 through 2002.

<b>ALLOWANCE FOR CREDIT LOSSES</b>					<b>Table 8</b>
(\$ in millions)	<b>2Q</b>	<b>1Q</b>	<b>4Q</b>	<b>3Q</b>	<b>2Q</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Balance, beginning of period	\$2,251	\$2,251	\$2,258	\$2,269	\$2,269
Net charge-offs					
Commercial	13	5	15	7	9
Lease financing	7	7	7	16	6
Total commercial	20	12	22	23	15
Commercial mortgages	(1)	2	(1)	2	1
Construction and development	1	--	--	(2)	(3)
Total commercial real estate	--	2	(1)	--	(2)
Residential mortgages	11	7	10	9	8
Credit card	50	46	86	63	64
Retail leasing	2	4	8	5	5
Home equity and second mortgages	13	12	21	14	16
Other retail	29	32	67	42	38
Total retail	94	94	182	124	123
Total net charge-offs	125	115	213	156	144
Provision for credit losses	125	115	205	145	144
Acquisitions and other changes	--	--	1	--	--
Balance, end of period	\$2,251	\$2,251	\$2,251	\$2,258	\$2,269
Components					
Allowance for loan losses	\$2,039	\$2,035	\$2,041	\$2,055	\$2,082
Liability for unfunded credit commitments	212	216	210	203	187
Total allowance for credit losses	\$2,251	\$2,251	\$2,251	\$2,258	\$2,269
Gross charge-offs	\$176	\$175	\$267	\$229	\$222
Gross recoveries	\$51	\$60	\$54	\$73	\$78
Allowance as a percentage of					
Period-end loans	1.59	1.62	1.63	1.65	1.70
Nonperforming loans	500	432	414	413	441
Nonperforming assets	409	364	350	351	372

### Credit Quality

The allowance for credit losses was \$2,251 million at June 30, 2006, and at March 31, 2006, compared with \$2,269 million at June 30, 2005. The ratio of the allowance for credit losses to period-end loans was 1.59 percent at June 30, 2006, compared with 1.62 percent at March 31, 2006, and 1.70 percent at June 30, 2005. The ratio of the allowance for credit losses to nonperforming loans was 500 percent at June 30, 2006, compared with 432 percent at March 31, 2006, and 441 percent at June 30, 2005. Total net charge-offs in the second quarter of 2006 were \$125 million, compared with the first quarter of 2006 net charge-offs of \$115 million and the second quarter of 2005 net charge-offs of \$144 million. The year-over-year decrease in total net charge-offs was

principally due to the impact of changes in bankruptcy legislation that went into effect during the fourth quarter of 2005.

Commercial and commercial real estate loan net charge-offs were \$20 million for the second quarter of 2006, or .11 percent of average loans outstanding, compared with \$14 million, or .08 percent of average loans outstanding, in the first quarter of 2006 and \$13 million, or .07 percent of average loans outstanding, in the second quarter of 2005. The increase in net charge-offs reflected a lower level of recoveries as compared with prior quarters.

Retail loan net charge-offs were \$94 million in the second quarter and first quarter of 2006 compared with \$123 million in the second quarter of 2005. Retail loan net charge-offs remained flat as compared to the first quarter of 2006 and declined from the second quarter of 2005, reflecting the impact of the bankruptcy legislation change that occurred in the fourth quarter of 2005. Retail loan net charge-offs as a percent of average loans outstanding were .82 percent in the second quarter of 2006, compared with .83 percent and 1.12 percent in the first quarter of 2006 and second quarter of 2005, respectively. The Company anticipates that bankruptcy charge-offs will return to more normalized levels in future quarters.

<b>CREDIT RATIOS</b>					<b>Table 9</b>
(Percent)	<b>2Q</b>	<b>1Q</b>	<b>4Q</b>	<b>3Q</b>	<b>2Q</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
<b>Net charge-offs ratios (a)</b>					
Commercial	.13	.05	.15	.07	.10
Lease financing	.54	.56	.56	1.29	.49
Total commercial	.18	.11	.20	.21	.14
Commercial mortgages	(.02)	.04	(.02)	.04	.02
Construction and development	.05	--	--	(.10)	(.16)
Total commercial real estate	--	.03	(.01)	--	(.03)
Residential mortgages	.21	.14	.20	.19	.19
Credit card	2.72	2.62	5.00	3.74	3.93
Retail leasing	.11	.22	.43	.27	.27
Home equity and second mortgages	.35	.33	.56	.37	.43
Other retail	.70	.78	1.64	1.04	1.01
Total retail	.82	.83	1.59	1.09	1.12
Total net charge-offs	.36	.33	.61	.46	.44
<b>Delinquent loan ratios - 90 days or more past due <b>excluding</b> nonperforming loans (b)</b>					
Commercial	.05	.05	.05	.04	.05
Commercial real estate	--	--	--	.01	.01
Residential mortgages	.30	.31	.32	.30	.32
Retail	.38	.36	.36	.36	.40
Total loans	.19	.18	.18	.18	.19
<b>Delinquent loan ratios - 90 days or more past due <b>including</b> nonperforming loans (b)</b>					
Commercial	.58	.64	.69	.74	.74
Commercial real estate	.40	.51	.55	.57	.59
Residential mortgages	.49	.53	.55	.53	.55
Retail	.50	.52	.50	.45	.43
Total loans	.51	.56	.58	.58	.58
(a) annualized and calculated on average loan balances					
(b) ratios are expressed as a percent of ending loan balances					

<b>ASSET QUALITY</b>		<b>Table 10</b>				
(\$ in millions)						
		<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>
		<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Nonperforming loans						
Commercial		\$203	\$219	\$231	\$265	\$238
Lease financing		38	41	42	35	60
Total commercial		241	260	273	300	298
Commercial mortgages		88	123	134	144	140
Construction and development		25	23	23	16	21
Total commercial real estate		113	146	157	160	161
Residential mortgages		39	45	48	44	42
Retail		57	70	66	43	13
Total nonperforming loans		450	521	544	547	514
Other real estate		77	71	71	68	68
Other nonperforming assets		23	27	29	29	28
Total nonperforming assets (a)		\$550	\$619	\$644	\$644	\$610
Accruing loans 90 days or more past due		\$264	\$251	\$253	\$242	\$258
Restructured loans that continue to accrue interest		\$370	\$371	\$315	\$301	\$274
Nonperforming assets to loans plus ORE (%)		.39	.45	.47	.47	.46
(a) does not include accruing loans 90 days or more past due or restructured loans that continue to accrue interest						

Nonperforming assets at June 30, 2006, totaled \$550 million, compared with \$619 million at March 31, 2006, and \$610 million at June 30, 2005. The ratio of nonperforming assets to loans and other real estate was .39 percent at June 30, 2006, compared with .45 percent at March 31, 2006, and .46 percent at June 30, 2005. Restructured loans that continue to accrue interest have increased from the second quarter of 2005, reflecting the impact of implementing higher minimum balance payment requirements for credit card customers in response to industry guidance issued by the banking regulatory agencies.

<b>CAPITAL POSITION</b>					<b>Table 11</b>
(\$ in millions)	<b>Jun 30</b>	<b>Mar 31</b>	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Total shareholders' equity	\$20,415	\$20,256	\$20,086	\$19,864	\$19,901
Tier 1 capital	16,841	16,478	15,145	15,180	14,564
Total risk-based capital	24,893	24,328	23,056	23,283	22,362
Tier 1 capital ratio	8.9 %	8.9 %	8.2 %	8.4 %	8.1 %
Total risk-based capital ratio	13.1	13.1	12.5	12.8	12.5
Leverage ratio	8.2	8.2	7.6	7.7	7.5
Common equity to assets	9.1	9.2	9.6	9.6	9.8
Tangible common equity to assets	5.6	5.4	5.9	6.2	6.1

Total shareholders' equity was \$20.4 billion at June 30, 2006, compared with \$19.9 billion at June 30, 2005. The increase was the result of corporate earnings and the issuance of \$1.0 billion of non-cumulative, perpetual preferred stock on March 27, 2006, offset by share buybacks and dividends. On June 20, 2006, the Company's board of directors declared the first quarterly dividend on the preferred stock. The \$432.44 per share (equivalent to \$.43244 per depository share) was declared for shareholders of record on June 30, 2006, payable July 17, 2006.

The Tier 1 capital ratio was 8.9 percent at June 30, 2006, and at March 31, 2006, and 8.1 percent at June 30, 2005. The total risk-based capital ratio was 13.1 percent at June 30, 2006, and at March 31, 2006, and 12.5 percent at June 30, 2005. The leverage ratio was 8.2 percent at June 30, 2006, and at March 31, 2006, and 7.5 percent at June 30, 2005. Tangible common equity to assets was 5.6 percent at June 30, 2006, compared with 5.4 percent at March 31, 2006, and 6.1 percent at June 30, 2005. All regulatory ratios continue to be in excess of stated "well capitalized" requirements.



<b>COMMON SHARES</b>		<b>Table 12</b>				
(Millions)	<b>2Q</b>	<b>1Q</b>	<b>4Q</b>	<b>3Q</b>	<b>2Q</b>	
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	
Beginning shares outstanding	1,783	1,815	1,818	1,829	1,842	
Shares issued for stock option and stock purchase plans, acquisitions and other corporate purposes	9	9	6	4	4	
Shares repurchased	(9)	(41)	(9)	(15)	(17)	
Ending shares outstanding	1,783	1,783	1,815	1,818	1,829	

On December 21, 2004, the Board of Directors of U.S. Bancorp approved an authorization to repurchase up to 150 million shares of outstanding common stock during the following 24 months. During the second quarter of 2006, the Company repurchased 9 million shares of common stock. As of June 30, 2006, there were approximately 33 million shares remaining to be repurchased under the current authorization.

LINE OF BUSINESS FINANCIAL PERFORMANCE (a)									Table 13
(\$ in millions)									
Business Line	Net Income			Percent Change		YTD 2006	YTD 2005	Percent Change	2Q 2006 Earnings Composition
	2Q 2006	1Q 2006	2Q 2005	2Q06 vs 1Q06	2Q06 vs 2Q05				
Wholesale Banking	\$298	\$300	\$292	(.7)	2.1	\$598	\$571	4.7	25 %
Consumer Banking	488	411	429	18.7	13.8	899	816	10.2	41
Wealth Management	148	134	116	10.4	27.6	282	227	24.2	12
Payment Services	251	223	183	12.6	37.2	474	351	35.0	21
Treasury and Corporate Support	16	85	101	(81.2)	(84.2)	101	227	(55.5)	1
Consolidated Company	\$1,201	\$1,153	\$1,121	4.2	7.1	\$2,354	\$2,192	7.4	100 %

(a) preliminary data

### Lines of Business

Within the Company, financial performance is measured by major lines of business, which include Wholesale Banking, Consumer Banking, Wealth Management, Payment Services, and Treasury and Corporate Support. These operating segments are components of the Company about which financial information is available and is evaluated regularly in deciding how to allocate resources and assess performance. Noninterest expenses incurred by centrally managed operations or business lines that directly support another business line's operations are charged to the applicable business line based on its utilization of those services primarily measured by the volume of customer activities, number of employees or other relevant factors. These allocated expenses are reported as net shared services expense within noninterest expense. Designations, assignments and allocations change from time to time as management systems are enhanced, methods of evaluating performance or product lines change or business segments are realigned to better respond to our diverse customer base. During 2006, certain organization and methodology changes were made and, accordingly, prior period results have been restated and presented on a comparable basis.

Wholesale Banking offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients. Wholesale Banking contributed \$298 million of the Company's net income in the second quarter of 2006, a 2.1 percent increase over the same period of 2005 and relatively flat as compared with the first quarter of 2006. The increase in Wholesale Banking's second quarter 2006 contribution over the same quarter of 2005 was the result of a favorable variance in total net revenue (3.1 percent). The favorable

variance in total net revenue year-over-year was the result of growth in net interest income (3.2 percent) and total noninterest income (2.7 percent). The increase in net interest income was driven primarily by loan growth (5.9 percent) and the margin benefit of deposits partially offset by tighter credit spreads. The increase in total noninterest income was due primarily to increases in commercial lease income and foreign exchange trading revenue. These positive variances were partially offset by an increase in the provision for credit losses which primarily reflected lower recoveries compared with a year ago.

Wholesale Banking's contribution to net income in the second quarter of 2006 compared to the first quarter of 2006 was relatively flat as a favorable variance in total net revenue (1.0 percent) was substantially offset by an increase in the provision for credit losses. Total net revenue was higher on a linked quarter basis due primarily to an increase in net interest income (1.3 percent). The favorable variance in net interest income was primarily due to seasonally higher deposit balances and the benefit from wider deposit spreads. Total noninterest income on a linked quarter basis was flat as increases in commercial lease revenue and seasonally higher treasury management fees were offset by a decrease in income related to equity investments. Net charge-offs increased compared with first quarter of 2006 due to lower commercial recoveries, which drove the unfavorable variance in the provision for credit losses quarter-over-quarter.

Consumer Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail and ATMs. It encompasses community banking, metropolitan banking, in-store banking, small business banking, consumer lending, mortgage banking, consumer finance, workplace banking, student banking, and 24-hour banking. Consumer Banking contributed \$488 million of the Company's net income in the second quarter of 2006, a 13.8 percent increase over the same period of 2005 and an 18.7 percent increase from the prior quarter. The favorable increase year-over-year was the result of higher total net revenue (1.6 percent), a reduction in total noninterest expense (9.1 percent) and lower provision for credit losses (14.3 percent). Total net revenue was higher than the same quarter of 2005 due to growth in net interest income (2.0 percent) and a modest increase in noninterest income (.6 percent). Net interest income was higher year-over-year primarily due to growth in average loan balances of 8.6 percent and the margin benefit of deposits, somewhat offset by lower spreads on those assets given the competitive lending environment. Noninterest income was relatively flat in the second quarter of 2006 as compared to the same period of 2005. A reduction in mortgage banking revenue, primarily

due to adopting fair value accounting for mortgage servicing rights in the first quarter of 2006, was offset by strong growth in deposit service charges due to increased transaction-related fees and other revenue resulting from improving end-of-term retail lease residual values. Total noninterest expense in the second quarter of 2006 was lower compared with the same quarter of 2005 due to the elimination of mortgage servicing rights amortization under SFAS 156 which resulted in a decrease in other intangible expense of \$52 million. In addition there was a favorable variance in net shared services expense (6.1 percent). A \$9 million year-over-year decrease in net charge-offs (14.3 percent), primarily related to the impact of the new bankruptcy legislation in the fourth quarter of 2005, drove the favorable variance in the business line's provision for credit losses.

The increase in Consumer Banking's contribution in the second quarter of 2006 from the first quarter of 2006 was the result of favorable variances in all categories. The increase in total net revenue was due primarily to an increase in total noninterest income (21.4 percent) which reflected an increase mortgage banking revenue and higher deposit service fees. In addition, lower gains from the sales of student loans were offset by improved retail leasing revenue. Noninterest expense was lower, on a linked quarter basis, due primarily to a favorable variance in net shared services expense partially offset by an increase in marketing and business development expense. The decrease in the provision for credit losses was due to a \$9 million decrease in net charge-offs, primarily related to the continuing impact of new bankruptcy legislation.

Wealth Management provides trust, private banking, financial advisory, investment management, insurance, custody and mutual fund servicing through six businesses: Private Client Group, Corporate Trust, U.S. Bancorp Investments and Insurance, FAF Advisors, Institutional Trust and Custody and Fund Services. Wealth Management contributed \$148 million of the Company's net income in the second quarter of 2006, 27.6 percent higher than the same period of 2005 and 10.4 percent higher than the first quarter of 2006. The increase in the business line's contribution in the second quarter of 2006 over the same quarter of 2005 was the result of a favorable variance in total net revenue (21.6 percent) partially offset by an increase in total noninterest expense (17.5 percent). Net interest income was favorably impacted year-over-year by wider deposit spreads and growth in deposit balances. Noninterest income increased by 22.2 percent from the same quarter of 2005, primarily due to improved equity market conditions, incremental growth in customer accounts and balances and the acquisition of the corporate and institutional trust business of Wachovia Corporation. The increase in total noninterest expense was primarily due to the recent

acquisition. The increase in the business line's contribution in the second quarter of 2006, as compared with the first quarter of 2006, was due primarily to seasonally higher trust and investment management fees and core account growth.

Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing. Payment Services contributed \$251 million of the Company's net income in the second quarter of 2006, a 37.2 percent increase from the same period of 2005 and a 12.6 percent increase from the first quarter of 2006. The increase in Payment Services' contribution in the second quarter of 2006 from the same period of 2005 was the result of higher total net revenue (18.8 percent) and a \$27 million favorable variance in the provision for credit losses (29.3 percent), partially offset by an increase in total noninterest expense (15.8 percent). The increase in total net revenue year-over-year was due to growth in total noninterest income (19.6 percent) and net interest income (15.6 percent), reflecting growth in higher yielding retail loan balances, partially offset by increases in noninterest-bearing corporate card balances. All revenue categories benefited from higher transaction volumes, rate changes and business expansion initiatives. The growth in total noninterest expense year-over-year primarily reflected new business initiatives, including costs associated with acquisitions and other business growth initiatives. The decrease in the provision for credit losses was driven by lower net charge-offs, year-over-year, reflecting the continuing near-term impact of changes in bankruptcy legislation in the fourth quarter of 2005.

The increase in Payment Services' contribution in the second quarter of 2006 from the first quarter of 2006 was due to improved noninterest income (10.8 percent), partially offset by increased provision for credit losses (8.3 percent) and a modest increase in total noninterest expense (2.6 percent). The increase in noninterest income was due to seasonally higher volumes in credit and debit card revenue and corporate payment products revenue. In addition, merchant processing services was favorably impacted by a recent business acquisition. The increase in total noninterest expense was primarily due to the timing of marketing programs and the impact of acquisitions on various expenses including compensation and employee benefits and other intangible expense.

Treasury and Corporate Support includes the Company's investment portfolios, funding, capital management and asset securitization activities, interest rate risk management, the net effect of transfer pricing related to average balances and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis. In addition, prior to

the adoption of SFAS 156, changes in mortgage servicing rights valuations due to interest rate changes were managed at a corporate level and, as such, reported within this business unit. Operational expenses incurred by Treasury and Corporate Support on behalf of the other business lines are allocated back to the appropriate business unit, primarily based on customer transaction volume and account activities, deposit balances and employee levels and are identified as net shared services expense. Treasury and Corporate Support recorded net income of \$16 million in the second quarter of 2006, compared with net income of \$101 million in the second quarter of 2005 and \$85 million in the first quarter of 2006. The decrease in net income in the current quarter from the second quarter of 2005 was caused by an unfavorable change in net interest income (\$140 million) reflecting the impact of a flatter yield curve and asset/liability management decisions during the past year, including reducing the investment securities portfolio, changes in interest rate derivative positions and the issuance of higher cost wholesale funding. The adverse impact of net interest income was offset somewhat by growth in noninterest income resulting from the gain on the MasterCard IPO. In addition, the favorable change in noninterest expense was due primarily to lower debt prepayment expense and the mortgage servicing rights impairment recorded in the second quarter of 2005. The unfavorable change in income taxes from a year ago resulted from the \$94 million tax benefit recorded in the second quarter of 2005. Net income in the second quarter of 2006 was lower than net income in the first quarter of 2006 due to lower net interest income (\$47 million) driven by the flatter yield curve and funding earning asset growth with wholesale funding. In addition, the lower contribution of this line of business reflects lower noninterest income (\$25 million) due primarily to certain interest rate swap gains recognized in the first quarter of 2006, partially offset by the MasterCard IPO gain and higher noninterest expense (\$34 million) primarily related to a debt restructuring charge and higher net shared services expense.

Additional schedules containing more detailed information about the Company's business line results are available on the web at [usbank.com](http://usbank.com) or by calling Investor Relations at 612-303-0781.

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER, JERRY A. GRUNDHOFER, AND VICE CHAIRMAN AND CHIEF FINANCIAL OFFICER, DAVID M. MOFFETT, WILL REVIEW THE FINANCIAL RESULTS IN A PRE-RECORDED CALL ON TUESDAY, JULY 18, 2006. The call will be available by telephone or on the internet. The pre-recorded call will be available from approximately 7:00 a.m. (CDT) on Tuesday, July 18<sup>th</sup> through Tuesday, July 25<sup>th</sup> at 11:00 p.m. (CDT). To access the recorded call, please dial 800-727-1367. Participants calling from outside the United States, please call 402-220-2669. Find the recorded call via the internet at [usbank.com](http://usbank.com).**

Minneapolis-based U.S. Bancorp (“USB”), with \$213 billion in assets, is the 6th largest financial holding company in the United States. The Company operates 2,434 banking offices and 4,966 ATMs, and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. U.S. Bancorp is the parent company of U.S. Bank. Visit U.S. Bancorp on the web at [usbank.com](http://usbank.com).

### Forward-Looking Statements

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words “may,” “could,” “would,” “should,” “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “targets,” “potentially,” “probably,” “projects,” “outlook” or similar expressions. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of the Company. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including changes in general business and economic conditions, changes in interest rates, legal and regulatory developments, increased competition from both banks and non-banks, changes in customer behavior and preferences, effects of mergers and acquisitions and related integration, and effects of critical accounting policies and judgments. For discussion of these and other risks that may cause actual results to differ from expectations, refer to our Annual Report on Form 10-K for the year ended December 31, 2005, on file with the SEC, for example the sections entitled “Risk Factors” and “Corporate Risk Profile.” Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

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U.S. Bancorp

**Consolidated Statement of Income**

(Dollars and Shares in Millions, Except Per Share Data) (Unaudited)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
<b>Interest Income</b>				
Loans	\$2,449	\$2,027	\$4,781	\$3,938
Loans held for sale	33	24	59	45
Investment securities	500	486	990	962
Other interest income	36	28	79	55
Total interest income	3,018	2,565	5,909	5,000
<b>Interest Expense</b>				
Deposits	578	361	1,081	669
Short-term borrowings	270	143	540	255
Long-term debt	484	307	887	578
Total interest expense	1,332	811	2,508	1,502
Net interest income	1,686	1,754	3,401	3,498
Provision for credit losses	125	144	240	316
Net interest income after provision for credit losses	1,561	1,610	3,161	3,182
<b>Noninterest Income</b>				
Credit and debit card revenue	202	177	384	331
Corporate payment products revenue	139	120	266	227
ATM processing services	61	57	120	104
Merchant processing services	253	198	466	376
Trust and investment management fees	314	253	611	500
Deposit service charges	264	234	496	444
Treasury management fees	116	117	223	224
Commercial products revenue	107	100	211	196
Mortgage banking revenue	75	110	99	212
Investment products fees and commissions	42	39	80	78
Securities gains (losses), net	3	1	3	(58)
Other	179	135	410	289
Total noninterest income	1,755	1,541	3,369	2,923
<b>Noninterest Expense</b>				
Compensation	627	612	1,260	1,179
Employee benefits	123	108	256	224
Net occupancy and equipment	161	159	326	313
Professional services	41	39	76	75
Marketing and business development	58	67	98	110
Technology and communications	127	113	244	219
Postage, printing and supplies	66	63	132	126
Other intangibles	89	181	174	252
Debt prepayment	11	54	11	54
Other	227	199	453	374
Total noninterest expense	1,530	1,595	3,030	2,926
Income before income taxes	1,786	1,556	3,500	3,179
Applicable income taxes	585	435	1,146	987
Net income	\$1,201	\$1,121	\$2,354	\$2,192
Net income applicable to common equity	\$1,184	\$1,121	\$2,337	\$2,192
Earnings per common share	\$ .66	\$ .61	\$ 1.30	\$ 1.19
Diluted earnings per common share	\$ .66	\$ .60	\$ 1.29	\$ 1.17
Dividends declared per common share	\$ .33	\$ .30	\$ .66	\$ .60
Average common shares outstanding	1,781	1,833	1,791	1,842
Average diluted common shares outstanding	1,805	1,857	1,816	1,869

## U.S. Bancorp

### Consolidated Ending Balance Sheet

(Dollars in Millions)	June 30, 2006	December 31, 2005	June 30, 2005
<b>Assets</b>	(Unaudited)		(Unaudited)
Cash and due from banks	\$7,234	\$8,004	\$6,442
Investment securities			
Held-to-maturity	98	109	116
Available-for-sale	38,364	39,659	42,183
Loans held for sale	2,589	1,686	1,734
Loans			
Commercial	45,369	42,942	43,180
Commercial real estate	28,562	28,463	27,743
Residential mortgages	21,063	20,730	17,966
Retail	46,388	45,671	44,555
Total loans	141,382	137,806	133,444
Less allowance for loan losses	(2,039)	(2,041)	(2,082)
Net loans	139,343	135,765	131,362
Premises and equipment	1,817	1,841	1,864
Goodwill	7,283	7,005	6,372
Other intangible assets	3,158	2,874	2,584
Other assets	13,519	12,522	11,324
Total assets	\$213,405	\$209,465	\$203,981
<b>Liabilities and Shareholders' Equity</b>			
Deposits			
Noninterest-bearing	\$30,730	\$32,214	\$33,401
Interest-bearing	69,302	70,024	69,690
Time deposits greater than \$100,000	22,687	22,471	18,732
Total deposits	122,719	124,709	121,823
Short-term borrowings	20,570	20,200	20,434
Long-term debt	41,952	37,069	34,788
Other liabilities	7,749	7,401	7,035
Total liabilities	192,990	189,379	184,080
Shareholders' equity			
Preferred stock	1,000	--	--
Common stock	20	20	20
Capital surplus	5,789	5,907	5,903
Retained earnings	20,164	19,001	17,849
Less treasury stock	(5,421)	(4,413)	(3,984)
Other comprehensive income	(1,137)	(429)	113
Total shareholders' equity	20,415	20,086	19,901
Total liabilities and shareholders' equity	\$213,405	\$209,465	\$203,981

# **Supplemental Analyst Schedules**

**2Q 2006**

# U.S. Bancorp

## Income Statement Highlights

(Dollars and Shares in Millions, Except Per Share Data) (Unaudited)	Three Months Ended			Percent Change v. June 30, 2006	
	June 30, 2006	March 31, 2006	June 30, 2005	March 31, 2006	June 30, 2005
Net interest income (taxable-equivalent basis)	\$1,697	\$1,725	\$1,761	(1.6) %	(3.6) %
Noninterest income	1,755	1,614	1,541	8.7	13.9
Total net revenue	3,452	3,339	3,302	3.4	4.5
Noninterest expense	1,530	1,500	1,595	2.0	(4.1)
Income before provision and income taxes	1,922	1,839	1,707	4.5	12.6
Provision for credit losses	125	115	144	8.7	(13.2)
Income before income taxes	1,797	1,724	1,563	4.2	15.0
Taxable-equivalent adjustment	11	10	7	10.0	57.1
Applicable income taxes	585	561	435	4.3	34.5
Net income	\$1,201	\$1,153	\$1,121	4.2	7.1
Net income applicable to common equity	\$1,184	\$1,153	\$1,121	2.7	5.6
Diluted earnings per common share	\$.66	\$.63	\$.60	4.8	10.0
Revenue per diluted common share (a)	\$1.91	\$1.83	\$1.78	4.4	7.3
<b>Financial Ratios</b>					
Net interest margin (b)	3.68 %	3.80 %	3.99 %		
Interest yield on average loans (b)	6.99	6.79	6.21		
Rate paid on interest-bearing liabilities	3.45	3.10	2.23		
Return on average assets	2.27	2.23	2.23		
Return on average common equity	24.3	23.3	22.7		
Efficiency ratio (c)	44.4	44.9	48.3		
Tangible efficiency ratio (d)	41.8	42.4	42.8		

- (a) Computed as the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net divided by average diluted common shares outstanding
- (b) On a taxable-equivalent basis
- (c) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net
- (d) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net and intangible amortization

## U.S. Bancorp

### Income Statement Highlights

(Dollars and Shares in Millions, Except Per Share Data) (Unaudited)	Six Months Ended		Percent Change
	June 30, 2006	June 30, 2005	
Net interest income (taxable-equivalent basis)	\$3,422	\$3,512	(2.6) %
Noninterest income	3,369	2,923	15.3
Total net revenue	6,791	6,435	5.5
Noninterest expense	3,030	2,926	3.6
Income before provision and income taxes	3,761	3,509	7.2
Provision for credit losses	240	316	(24.1)
Income before income taxes	3,521	3,193	10.3
Taxable-equivalent adjustment	21	14	50.0
Applicable income taxes	1,146	987	16.1
Net income	\$2,354	\$2,192	7.4
Net income applicable to common equity	\$2,337	\$2,192	6.6
Diluted earnings per common share	\$1.29	\$1.17	10.3
Revenue per diluted common share (a)	\$3.74	\$3.47	7.8
<b>Financial Ratios</b>			
Net interest margin (b)	3.74 %	4.03 %	
Interest yield on average loans (b)	6.89	6.14	
Rate paid on interest-bearing liabilities	3.28	2.10	
Return on average assets	2.25	2.22	
Return on average common equity	23.8	22.3	
Efficiency ratio (c)	44.6	45.1	
Tangible efficiency ratio (d)	42.1	41.2	

- (a) Computed as the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net divided by average diluted common shares outstanding
- (b) On a taxable-equivalent basis
- (c) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net
- (d) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net and intangible amortization

U.S. Bancorp  
**Quarterly Consolidated Statement of Income**

(Dollars and Shares in Millions, Except Per Share Data) (Unaudited)	Three Months Ended				
	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
<b>Interest Income</b>					
Loans	\$2,449	\$2,332	\$2,276	\$2,167	\$2,027
Loans held for sale	33	26	31	30	24
Investment securities	500	490	500	492	486
Other interest income	36	43	26	29	28
Total interest income	3,018	2,891	2,833	2,718	2,565
<b>Interest Expense</b>					
Deposits	578	503	476	414	361
Short-term borrowings	270	270	230	205	143
Long-term debt	484	403	352	317	307
Total interest expense	1,332	1,176	1,058	936	811
Net interest income	1,686	1,715	1,775	1,782	1,754
Provision for credit losses	125	115	205	145	144
Net interest income after provision for credit losses	1,561	1,600	1,570	1,637	1,610
<b>Noninterest Income</b>					
Credit and debit card revenue	202	182	197	185	177
Corporate payment products revenue	139	127	126	135	120
ATM processing services	61	59	61	64	57
Merchant processing services	253	213	194	200	198
Trust and investment management fees	314	297	258	251	253
Deposit service charges	264	232	238	246	234
Treasury management fees	116	107	104	109	117
Commercial products revenue	107	104	101	103	100
Mortgage banking revenue	75	24	109	111	110
Investment products fees and commissions	42	38	37	37	39
Securities gains (losses), net	3	--	(49)	1	1
Other	179	231	170	134	135
Total noninterest income	1,755	1,614	1,546	1,576	1,541
<b>Noninterest Expense</b>					
Compensation	627	633	601	603	612
Employee benefits	123	133	101	106	108
Net occupancy and equipment	161	165	166	162	159
Professional services	41	35	47	44	39
Marketing and business development	58	40	64	61	67
Technology and communications	127	117	129	118	113
Postage, printing and supplies	66	66	65	64	63
Other intangibles	89	85	81	125	181
Debt prepayment	11	--	--	--	54
Other	227	226	210	190	199
Total noninterest expense	1,530	1,500	1,464	1,473	1,595
Income before income taxes	1,786	1,714	1,652	1,740	1,556
Applicable income taxes	585	561	509	586	435
Net income	\$1,201	\$1,153	\$1,143	\$1,154	\$1,121
Net income applicable to common equity	\$1,184	\$1,153	\$1,143	\$1,154	\$1,121
Earnings per common share	\$.66	\$.64	\$.63	\$.63	\$.61
Diluted earnings per common share	\$.66	\$.63	\$.62	\$.62	\$.60
Dividends declared per common share	\$.33	\$.33	\$.33	\$.30	\$.30
Average common shares outstanding	1,781	1,801	1,816	1,823	1,833
Average diluted common shares outstanding	1,805	1,826	1,841	1,849	1,857
<b>Financial Ratios</b>					
Net interest margin (a)	3.68 %	3.80 %	3.88 %	3.95 %	3.99 %
Interest yield on average loans (a)	6.99	6.79	6.57	6.38	6.21
Rate paid on interest-bearing liabilities	3.45	3.10	2.77	2.49	2.23
Return on average assets	2.27	2.23	2.18	2.23	2.23
Return on average common equity	24.3	23.3	22.6	22.8	22.7
Efficiency ratio (b)	44.4	44.9	43.3	43.8	48.3
Tangible efficiency ratio (c)	41.8	42.4	40.9	40.0	42.8

(a) On a taxable-equivalent basis

(b) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net

(c) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net and intangible amortization

# U.S. Bancorp

## Consolidated Ending Balance Sheet

(Dollars in Millions)	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
<b>Assets</b>	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
Cash and due from banks	\$7,234	\$7,050	\$8,004	\$6,918	\$6,442
Investment securities					
Held-to-maturity	98	110	109	114	116
Available-for-sale	38,364	39,286	39,659	41,402	42,183
Loans held for sale	2,589	2,053	1,686	1,695	1,734
Loans					
Commercial	45,369	43,844	42,942	43,237	43,180
Commercial real estate	28,562	28,782	28,463	28,521	27,743
Residential mortgages	21,063	20,656	20,730	19,469	17,966
Retail	46,388	45,500	45,671	45,400	44,555
Total loans	141,382	138,782	137,806	136,627	133,444
Less allowance for loan losses	(2,039)	(2,035)	(2,041)	(2,055)	(2,082)
Net loans	139,343	136,747	135,765	134,572	131,362
Premises and equipment	1,817	1,817	1,841	1,850	1,864
Goodwill	7,283	7,267	7,005	6,372	6,372
Other intangible assets	3,158	3,128	2,874	2,586	2,584
Other assets	13,519	12,449	12,522	11,386	11,324
Total assets	\$213,405	\$209,907	\$209,465	\$206,895	\$203,981
<b>Liabilities and Shareholders' Equity</b>					
Deposits					
Noninterest-bearing	\$30,730	\$29,384	\$32,214	\$30,871	\$33,401
Interest-bearing	69,302	69,995	70,024	69,478	69,690
Time deposits greater than \$100,000	22,687	22,365	22,471	20,446	18,732
Total deposits	122,719	121,744	124,709	120,795	121,823
Short-term borrowings	20,570	20,651	20,200	23,061	20,434
Long-term debt	41,952	39,327	37,069	36,257	34,788
Other liabilities	7,749	7,929	7,401	6,918	7,035
Total liabilities	192,990	189,651	189,379	187,031	184,080
Shareholders' equity					
Preferred stock	1,000	1,000	--	--	--
Common stock	20	20	20	20	20
Capital surplus	5,789	5,819	5,907	5,913	5,903
Retained earnings	20,164	19,568	19,001	18,457	17,849
Less treasury stock	(5,421)	(5,394)	(4,413)	(4,318)	(3,984)
Other comprehensive income	(1,137)	(757)	(429)	(208)	113
Total shareholders' equity	20,415	20,256	20,086	19,864	19,901
Total liabilities and shareholders' equity	\$213,405	\$209,907	\$209,465	\$206,895	\$203,981

# U.S. Bancorp

## Consolidated Quarterly Average Balance Sheet

(Dollars in Millions, Unaudited)	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
<b>Assets</b>					
Investment securities	\$40,087	\$39,680	\$41,494	\$41,782	\$42,341
Loans held for sale	2,062	1,669	2,009	2,038	1,697
<b>Loans</b>					
<b>Commercial</b>					
Commercial	39,871	38,847	38,816	38,343	37,595
Lease financing	5,199	5,078	4,948	4,908	4,922
Total commercial	45,070	43,925	43,764	43,251	42,517
<b>Commercial real estate</b>					
Commercial mortgages	20,195	20,269	20,307	20,341	20,156
Construction and development	8,600	8,347	8,256	7,852	7,426
Total commercial real estate	28,795	28,616	28,563	28,193	27,582
Residential mortgages	20,868	20,987	20,319	18,741	17,198
<b>Retail</b>					
Credit card	7,360	7,120	6,825	6,684	6,527
Retail leasing	7,115	7,250	7,403	7,467	7,314
Home equity and second mortgages	15,035	14,935	14,946	14,984	15,003
Other retail	16,620	16,546	16,249	15,963	15,134
Total retail	46,130	45,851	45,423	45,098	43,978
Total loans	140,863	139,379	138,069	135,283	131,275
Other earning assets	1,878	2,373	1,523	1,349	1,417
Total earning assets	184,890	183,101	183,095	180,452	176,730
Allowance for loan losses	(2,051)	(2,059)	(2,045)	(2,109)	(2,125)
Unrealized gain (loss) on available-for-sale securities	(1,431)	(799)	(728)	(258)	(224)
Other assets	30,999	29,782	27,898	27,582	27,437
Total assets	\$212,407	\$210,025	\$208,220	\$205,667	\$201,818
<b>Liabilities and Shareholders' Equity</b>					
Noninterest-bearing deposits	\$28,949	\$28,837	\$29,898	\$29,434	\$29,148
<b>Interest-bearing deposits</b>					
Interest checking	23,333	23,141	22,473	22,508	23,024
Money market savings	26,981	27,378	28,710	28,740	29,563
Savings accounts	5,720	5,689	5,648	5,777	5,886
Time certificates of deposit less than \$100,000	13,689	13,505	13,397	13,263	13,152
Time deposits greater than \$100,000	22,561	21,613	22,205	21,262	20,459
Total interest-bearing deposits	92,284	91,326	92,433	91,550	92,084
Short-term borrowings	22,246	24,356	22,553	22,248	17,013
Long-term debt	41,225	38,229	36,514	35,633	36,973
Total interest-bearing liabilities	155,755	153,911	151,500	149,431	146,070
Other liabilities	7,147	7,129	6,745	6,696	6,780
<b>Shareholders' equity</b>					
Preferred equity	1,000	55	--	--	--
Common equity	19,556	20,093	20,077	20,106	19,820
Total shareholders' equity	20,556	20,148	20,077	20,106	19,820
Total liabilities and shareholders' equity	\$212,407	\$210,025	\$208,220	\$205,667	\$201,818



**Consolidated Daily Average Balance Sheet and Related Yields and Rates (a)**

For the Three Months Ended

June 30, 2006

June 30, 2005

(Dollars in Millions) (Unaudited)	Average		Yields and	Average		Yields and	% Change Average
	Balances	Interest	Rates	Balances	Interest	Rates	Balances
<b>Assets</b>							
Investment securities	\$40,087	\$513	5.12 %	\$42,341	\$488	4.61 %	(5.3) %
Loans held for sale	2,062	33	6.37	1,697	24	5.71	21.5
Loans (b)							
Commercial	45,070	734	6.53	42,517	614	5.79	6.0
Commercial real estate	28,795	528	7.36	27,582	437	6.36	4.4
Residential mortgages	20,868	302	5.80	17,198	239	5.56	21.3
Retail	46,130	891	7.75	43,978	742	6.77	4.9
Total loans	140,863	2,455	6.99	131,275	2,032	6.21	7.3
Other earning assets	1,878	36	7.60	1,417	28	7.94	32.5
Total earning assets	184,890	3,037	6.58	176,730	2,572	5.83	4.6
Allowance for loan losses	(2,051)			(2,125)			3.5
Unrealized gain (loss) on available-for-sale securities	(1,431)			(224)			*
Other assets	30,999			27,437			13.0
Total assets	<u>\$212,407</u>			<u>\$201,818</u>			5.2
<b>Liabilities and Shareholders' Equity</b>							
Noninterest-bearing deposits	\$28,949			\$29,148			(.7)
Interest-bearing deposits							
Interest checking	23,333	50	.87	23,024	33	.57	1.3
Money market savings	26,981	138	2.05	29,563	79	1.07	(8.7)
Savings accounts	5,720	5	.33	5,886	4	.24	(2.8)
Time certificates of deposit less than \$100,000	13,689	126	3.68	13,152	94	2.86	4.1
Time deposits greater than \$100,000	22,561	259	4.61	20,459	151	2.97	10.3
Total interest-bearing deposits	92,284	578	2.51	92,084	361	1.57	.2
Short-term borrowings	22,246	278	5.01	17,013	143	3.37	30.8
Long-term debt	41,225	484	4.71	36,973	307	3.33	11.5
Total interest-bearing liabilities	155,755	1,340	3.45	146,070	811	2.23	6.6
Other liabilities	7,147			6,780			5.4
Shareholders' equity							
Preferred equity	1,000			--			*
Common equity	19,556			19,820			(1.3)
Total shareholders' equity	20,556			19,820			3.7
Total liabilities and shareholders' equity	<u>\$212,407</u>			<u>\$201,818</u>			5.2 %
Net interest income		<u>\$1,697</u>			<u>\$1,761</u>		
Gross interest margin			3.13 %			3.60 %	
Gross interest margin without taxable-equivalent increments			3.11			3.58	
<b>Percent of Earning Assets</b>							
Interest income			6.58 %			5.83 %	
Interest expense			2.90			1.84	
Net interest margin			3.68 %			3.99 %	
Net interest margin without taxable-equivalent increments			3.66 %			3.97 %	

\* Not meaningful

(a) Interest and rates are presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent.

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

**Consolidated Daily Average Balance Sheet and Related Yields and Rates (a)**

For the Three Months Ended

June 30, 2006

March 31, 2006

(Dollars in Millions) (Unaudited)	Average		Yields and	Average		Yields and	% Change Average
	Balances	Interest	Rates	Balances	Interest	Rates	Balances
<b>Assets</b>							
Investment securities	\$40,087	\$513	5.12 %	\$39,680	\$496	5.00 %	1.0 %
Loans held for sale	2,062	33	6.37	1,669	26	6.27	23.5
Loans (b)							
Commercial	45,070	734	6.53	43,925	690	6.36	2.6
Commercial real estate	28,795	528	7.36	28,616	497	7.04	.6
Residential mortgages	20,868	302	5.80	20,987	294	5.62	(.6)
Retail	46,130	891	7.75	45,851	857	7.58	.6
Total loans	140,863	2,455	6.99	139,379	2,338	6.79	1.1
Other earning assets	1,878	36	7.60	2,373	43	7.33	(20.9)
Total earning assets	184,890	3,037	6.58	183,101	2,903	6.40	1.0
Allowance for loan losses	(2,051)			(2,059)			.4
Unrealized gain (loss) on available-for-sale securities	(1,431)			(799)			(79.1)
Other assets	30,999			29,782			4.1
Total assets	<u>\$212,407</u>			<u>\$210,025</u>			1.1
<b>Liabilities and Shareholders' Equity</b>							
Noninterest-bearing deposits	\$28,949			\$28,837			.4
Interest-bearing deposits							
Interest checking	23,333	50	.87	23,141	45	.78	.8
Money market savings	26,981	138	2.05	27,378	116	1.72	(1.5)
Savings accounts	5,720	5	.33	5,689	4	.29	.5
Time certificates of deposit less than \$100,000	13,689	126	3.68	13,505	114	3.42	1.4
Time deposits greater than \$100,000	22,561	259	4.61	21,613	224	4.20	4.4
Total interest-bearing deposits	92,284	578	2.51	91,326	503	2.23	1.0
Short-term borrowings	22,246	278	5.01	24,356	272	4.54	(8.7)
Long-term debt	41,225	484	4.71	38,229	403	4.26	7.8
Total interest-bearing liabilities	155,755	1,340	3.45	153,911	1,178	3.10	1.2
Other liabilities	7,147			7,129			.3
Shareholders' equity							
Preferred equity	1,000			55			*
Common equity	19,556			20,093			(2.7)
Total shareholders' equity	20,556			20,148			2.0
Total liabilities and shareholders' equity	<u>\$212,407</u>			<u>\$210,025</u>			1.1 %
Net interest income		<u>\$1,697</u>			<u>\$1,725</u>		
Gross interest margin			3.13 %			3.30 %	
Gross interest margin without taxable-equivalent increments			3.11			3.28	
<b>Percent of Earning Assets</b>							
Interest income			6.58 %			6.40 %	
Interest expense			2.90			2.60	
Net interest margin			3.68 %			3.80 %	
Net interest margin without taxable-equivalent increments			3.66 %			3.78 %	

\* Not meaningful

(a) Interest and rates are presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent.

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

**Consolidated Daily Average Balance Sheet and Related Yields and Rates (a)**

For the Six Months Ended

June 30, 2006

June 30, 2005

(Dollars in Millions) (Unaudited)	Average		Yields and	Average		Yields and	% Change Average
	Balances	Interest	Rates	Balances	Interest	Rates	Balances
<b>Assets</b>							
Investment securities	\$39,885	\$1,009	5.06 %	\$42,576	\$965	4.53 %	(6.3) %
Loans held for sale	1,866	59	6.32	1,564	45	5.76	19.3
Loans (b)							
Commercial	44,501	1,424	6.44	41,761	1,191	5.74	6.6
Commercial real estate	28,706	1,025	7.20	27,543	850	6.22	4.2
Residential mortgages	20,927	596	5.71	16,517	457	5.55	26.7
Retail	45,991	1,748	7.66	43,653	1,451	6.70	5.4
Total loans	140,125	4,793	6.89	129,474	3,949	6.14	8.2
Other earning assets	2,124	79	7.46	1,408	55	7.91	50.9
Total earning assets	184,000	5,940	6.49	175,022	5,014	5.76	5.1
Allowance for loan losses	(2,055)			(2,120)			3.1
Unrealized gain (loss) on available-for-sale securities	(1,117)			(242)			*
Other assets	30,394			26,730			13.7
Total assets	<u>\$211,222</u>			<u>\$199,390</u>			5.9
<b>Liabilities and Shareholders' Equity</b>							
Noninterest-bearing deposits	\$28,893			\$28,784			.4
Interest-bearing deposits							
Interest checking	23,238	95	.82	23,085	64	.56	.7
Money market savings	27,178	254	1.88	29,911	149	1.00	(9.1)
Savings accounts	5,705	9	.31	5,927	8	.28	(3.7)
Time certificates of deposit less than \$100,000	13,598	240	3.55	13,066	180	2.78	4.1
Time deposits greater than \$100,000	22,089	483	4.41	19,559	268	2.77	12.9
Total interest-bearing deposits	91,808	1,081	2.37	91,548	669	1.47	.3
Short-term borrowings	23,295	550	4.77	16,313	255	3.15	42.8
Long-term debt	39,735	887	4.49	36,211	578	3.21	9.7
Total interest-bearing liabilities	154,838	2,518	3.28	144,072	1,502	2.10	7.5
Other liabilities	7,138			6,722			6.2
Shareholders' equity							
Preferred equity	530			--			*
Common equity	19,823			19,812			.1
Total shareholders' equity	20,353			19,812			2.7
Total liabilities and shareholders' equity	<u>\$211,222</u>			<u>\$199,390</u>			5.9 %
Net interest income		<u>\$3,422</u>			<u>\$3,512</u>		
Gross interest margin			<u>3.21 %</u>			<u>3.66 %</u>	
Gross interest margin without taxable-equivalent increments			<u>3.19</u>			<u>3.64</u>	
<b>Percent of Earning Assets</b>							
Interest income			6.49 %			5.76 %	
Interest expense			2.75			1.73	
Net interest margin			<u>3.74 %</u>			<u>4.03 %</u>	
Net interest margin without taxable-equivalent increments			<u>3.72 %</u>			<u>4.01 %</u>	

\* Not meaningful

(a) Interest and rates are presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent.

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

U.S. Bancorp  
**Loan Portfolio**

	June 30, 2006		March 31, 2006		December 31, 2005		September 30, 2005		June 30, 2005	
(Dollars in Millions, Unaudited)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
<b>Commercial</b>										
Commercial	\$40,055	28.3 %	\$38,710	27.9 %	\$37,844	27.5 %	\$38,319	28.0 %	\$38,210	28.6 %
Lease financing	5,314	3.8	5,134	3.7	5,098	3.7	4,918	3.6	4,970	3.7
Total commercial	45,369	32.1	43,844	31.6	42,942	31.2	43,237	31.6	43,180	32.3
<b>Commercial real estate</b>										
Commercial mortgages	19,966	14.1	20,405	14.7	20,272	14.7	20,467	15.0	20,154	15.1
Construction and development	8,596	6.1	8,377	6.0	8,191	6.0	8,054	5.9	7,589	5.7
Total commercial real estate	28,562	20.2	28,782	20.7	28,463	20.7	28,521	20.9	27,743	20.8
<b>Residential mortgages</b>										
Residential mortgages	14,902	10.5	14,502	10.5	14,538	10.5	13,586	9.9	12,075	9.1
Home equity loans, first liens	6,161	4.4	6,154	4.4	6,192	4.5	5,883	4.3	5,891	4.4
Total residential mortgages	21,063	14.9	20,656	14.9	20,730	15.0	19,469	14.2	17,966	13.5
<b>Retail</b>										
Credit card	7,432	5.3	6,978	5.0	7,137	5.2	6,638	4.9	6,561	4.9
Retail leasing	7,092	5.0	7,161	5.2	7,338	5.3	7,468	5.5	7,431	5.6
Home equity and second mortgages	15,124	10.7	14,908	10.7	14,979	10.9	14,920	10.9	15,076	11.3
Other retail										
Revolving credit	2,505	1.8	2,438	1.8	2,504	1.8	2,523	1.8	2,544	1.9
Installment	4,090	2.9	3,773	2.7	3,582	2.6	3,498	2.6	3,319	2.5
Automobile	8,257	5.8	8,218	5.9	8,112	5.9	8,146	6.0	7,630	5.7
Student	1,888	1.3	2,024	1.5	2,019	1.4	2,207	1.6	1,994	1.5
Total other retail	16,740	11.8	16,453	11.9	16,217	11.7	16,374	12.0	15,487	11.6
Total retail	46,388	32.8	45,500	32.8	45,671	33.1	45,400	33.3	44,555	33.4
Total loans	\$141,382	100.0 %	\$138,782	100.0 %	\$137,806	100.0 %	\$136,627	100.0 %	\$133,444	100.0 %

U.S. Bancorp  
**Supplemental Financial Data**

(Dollars in Millions, Unaudited)	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
<b>Book value of intangibles</b>					
Goodwill	\$7,283	\$7,267	\$7,005	\$6,372	\$6,372
Merchant processing contracts	871	900	767	750	781
Core deposit benefits	229	245	262	281	299
Mortgage servicing rights	1,323	1,228	1,118	1,023	952
Trust relationships	439	458	477	262	273
Other identified intangibles	296	297	250	270	279
Total	<u>\$10,441</u>	<u>\$10,395</u>	<u>\$9,879</u>	<u>\$8,958</u>	<u>\$8,956</u>
<b>Three Months Ended</b>					
	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005
<b>Amortization of intangibles</b>					
Merchant processing contracts	\$38	\$34	\$36	\$35	\$34
Core deposit benefits	16	17	18	18	19
Mortgage servicing rights (a)	--	--	--	46	103
Trust relationships	19	19	12	12	11
Other identified intangibles	16	15	15	14	14
Total	<u>\$89</u>	<u>\$85</u>	<u>\$81</u>	<u>\$125</u>	<u>\$181</u>
<b>Mortgage banking revenue</b>					
Origination and sales	\$28	\$12	\$36	\$39	\$40
Loan servicing	80	76	73	72	70
Mortgage servicing rights fair value adjustment (b)	(33)	(64)	--	--	--
Total mortgage banking revenue	<u>\$75</u>	<u>\$24</u>	<u>\$109</u>	<u>\$111</u>	<u>\$110</u>
Mortgage production volume	\$6,006	\$4,595	\$6,052	\$6,831	\$5,618
Mortgages serviced for others	\$76,375	\$74,009	\$69,006	\$67,166	\$65,443

A summary of the Company's mortgage servicing rights and related characteristics by portfolio as of March 31, 2006, was as follows:

(Dollars in Millions)	MRBP (c)	Government	Conventional	Total
Servicing portfolio	\$7,034	\$8,603	\$60,738	\$76,375
Fair market value	\$138	\$163	\$1,022	\$1,323
Value (bps)	196	189	168	173
Weighted-average servicing fees (bps)	41	44	35	37
Multiple (value/servicing fees)	4.78	4.30	4.80	4.68
Weighted-average note rate	5.94 %	6.07 %	5.77 %	5.82 %
Age (in years)	3.6	2.9	2.3	2.5
Expected life (in years)	7.8	7.3	7.9	7.8
Discount rate	11.5 %	11.3 %	10.6 %	10.8 %

(a) Mortgage servicing rights are no longer amortized due to the adoption of SFAS 156 in the first quarter of 2006. The fourth quarter of 2005 included \$49 million of amortization offset by \$49 million of reparation.

(b) Mortgage servicing rights changes in fair value including the effects of the adoption of SFAS 156

(c) MRBP represents mortgage revenue bond programs

## U.S. Bancorp

## Line of Business Financial Performance \*

Three Months Ended (Dollars in Millions, Unaudited)	Wholesale Banking			Consumer Banking			Wealth Management		
	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$478	\$463	3.2 %	\$968	\$949	2.0 %	\$127	\$106	19.8 %
Noninterest income	224	220	1.8	465	462	.6	369	302	22.2
Securities gains (losses), net	2	--	**	--	--	--	--	--	--
Total net revenue	704	683	3.1	1,433	1,411	1.6	496	408	21.6
Noninterest expense	230	231	(.4)	600	609	(1.5)	240	208	15.4
Other intangibles	4	4	--	12	64	(81.3)	22	15	46.7
Total noninterest expense	234	235	(.4)	612	673	(9.1)	262	223	17.5
Income before provision and income taxes	470	448	4.9	821	738	11.2	234	185	26.5
Provision for credit losses	1	(11)	**	54	63	(14.3)	2	2	--
Income before income taxes	469	459	2.2	767	675	13.6	232	183	26.8
Income taxes and taxable-equivalent adjustment	171	167	2.4	279	246	13.4	84	67	25.4
Net income	\$298	\$292	2.1	\$488	\$429	13.8	\$148	\$116	27.6
<b>Average Balance Sheet Data</b>									
Loans	\$50,737	\$47,902	5.9 %	\$72,556	\$66,821	8.6 %	\$5,071	\$4,927	2.9 %
Other earning assets	501	231	**	2,164	2,246	(3.7)	122	134	(9.0)
Goodwill	1,329	1,329	--	2,108	2,108	--	1,378	874	57.7
Other intangible assets	55	73	(24.7)	1,453	1,168	24.4	473	316	49.7
Assets	56,934	53,886	5.7	80,774	74,795	8.0	7,487	6,647	12.6
Noninterest-bearing deposits	12,107	12,303	(1.6)	12,720	13,035	(2.4)	3,668	3,616	1.4
Interest-bearing deposits	21,753	20,925	4.0	57,851	58,999	(1.9)	10,956	8,915	22.9
Total deposits	33,860	33,228	1.9	70,571	72,034	(2.0)	14,624	12,531	16.7
Shareholders' equity	5,554	5,308	4.6	6,436	6,457	(.3)	2,349	1,663	41.3

Three Months Ended (Dollars in Millions, Unaudited)	Payment Services			Treasury and Corporate Support			Consolidated Company		
	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$156	\$135	15.6 %	(\$32)	\$108	** %	\$1,697	\$1,761	(3.6) %
Noninterest income	654	547	19.6	40	9	**	1,752	1,540	13.8
Securities gains (losses), net	--	--	--	1	1	--	3	1	**
Total net revenue	810	682	18.8	9	118	(92.4)	3,452	3,302	4.5
Noninterest expense	300	260	15.4	71	106	(33.0)	1,441	1,414	1.9
Other intangibles	51	43	18.6	--	55	**	89	181	(50.8)
Total noninterest expense	351	303	15.8	71	161	(55.9)	1,530	1,595	(4.1)
Income before provision and income taxes	459	379	21.1	(62)	(43)	(44.2)	1,922	1,707	12.6
Provision for credit losses	65	92	(29.3)	3	(2)	**	125	144	(13.2)
Income before income taxes	394	287	37.3	(65)	(41)	(58.5)	1,797	1,563	15.0
Income taxes and taxable-equivalent adjustment	143	104	37.5	(81)	(142)	43.0	596	442	34.8
Net income	\$251	\$183	37.2	\$16	\$101	(84.2)	\$1,201	\$1,121	7.1
<b>Average Balance Sheet Data</b>									
Loans	\$12,270	\$11,311	8.5 %	\$229	\$314	(27.1) %	\$140,863	\$131,275	7.3 %
Other earning assets	69	68	1.5	41,171	42,776	(3.8)	44,027	45,455	(3.1)
Goodwill	2,463	2,030	21.3	1	--	**	7,279	6,341	14.8
Other intangible assets	1,165	972	19.9	--	3	**	3,146	2,532	24.2
Assets	17,294	15,163	14.1	49,918	51,327	(2.7)	212,407	201,818	5.2
Noninterest-bearing deposits	297	134	**	157	60	**	28,949	29,148	(.7)
Interest-bearing deposits	22	16	37.5	1,702	3,229	(47.3)	92,284	92,084	.2
Total deposits	319	150	**	1,859	3,289	(43.5)	121,233	121,232	--
Shareholders' equity	4,747	4,011	18.3	1,470	2,381	(38.3)	20,556	19,820	3.7

\* Preliminary data

\*\* Not meaningful

## U.S. Bancorp

## Line of Business Financial Performance \*

Three Months Ended (Dollars in Millions, Unaudited)	Wholesale Banking			Consumer Banking			Wealth Management		
	June 30, 2006	March 31, 2006	Percent Change	June 30, 2006	March 31, 2006	Percent Change	June 30, 2006	March 31, 2006	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$478	\$472	1.3 %	\$968	\$950	1.9 %	\$127	\$125	1.6 %
Noninterest income	224	225	(.4)	465	383	21.4	369	350	5.4
Securities gains (losses), net	2	--	**	--	--	--	--	--	--
Total net revenue	704	697	1.0	1,433	1,333	7.5	496	475	4.4
Noninterest expense	230	229	.4	600	611	(1.8)	240	242	(.8)
Other intangibles	4	4	--	12	13	(7.7)	22	22	--
Total noninterest expense	234	233	.4	612	624	(1.9)	262	264	(.8)
Income before provision and income taxes	470	464	1.3	821	709	15.8	234	211	10.9
Provision for credit losses	1	(8)	**	54	63	(14.3)	2	--	**
Income before income taxes	469	472	(.6)	767	646	18.7	232	211	10.0
Income taxes and taxable-equivalent adjustment	171	172	(.6)	279	235	18.7	84	77	9.1
Net income	\$298	\$300	(.7)	\$488	\$411	18.7	\$148	\$134	10.4
<b>Average Balance Sheet Data</b>									
Loans	\$50,737	\$49,816	1.8 %	\$72,556	\$72,425	.2 %	\$5,071	\$5,016	1.1 %
Other earning assets	501	529	(5.3)	2,164	1,730	25.1	122	124	(1.6)
Goodwill	1,329	1,329	--	2,108	2,107	--	1,378	1,375	.2
Other intangible assets	55	59	(6.8)	1,453	1,329	9.3	473	495	(4.4)
Assets	56,934	55,626	2.4	80,774	80,038	.9	7,487	7,447	.5
Noninterest-bearing deposits	12,107	11,992	1.0	12,720	12,773	(.4)	3,668	3,630	1.0
Interest-bearing deposits	21,753	20,445	6.4	57,851	58,192	(.6)	10,956	9,818	11.6
Total deposits	33,860	32,437	4.4	70,571	70,965	(.6)	14,624	13,448	8.7
Shareholders' equity	5,554	5,394	3.0	6,436	6,413	.4	2,349	2,353	(.2)

Three Months Ended (Dollars in Millions, Unaudited)	Payment Services			Treasury and Corporate Support			Consolidated Company		
	June 30, 2006	March 31, 2006	Percent Change	June 30, 2006	March 31, 2006	Percent Change	June 30, 2006	March 31, 2006	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$156	\$163	(4.3) %	(\$32)	\$15	** %	\$1,697	\$1,725	(1.6) %
Noninterest income	654	590	10.8	40	66	(39.4)	1,752	1,614	8.6
Securities gains (losses), net	--	--	--	1	--	**	3	--	**
Total net revenue	810	753	7.6	9	81	(88.9)	3,452	3,339	3.4
Noninterest expense	300	296	1.4	71	37	91.9	1,441	1,415	1.8
Other intangibles	51	46	10.9	--	--	--	89	85	4.7
Total noninterest expense	351	342	2.6	71	37	91.9	1,530	1,500	2.0
Income before provision and income taxes	459	411	11.7	(62)	44	**	1,922	1,839	4.5
Provision for credit losses	65	60	8.3	3	--	**	125	115	8.7
Income before income taxes	394	351	12.3	(65)	44	**	1,797	1,724	4.2
Income taxes and taxable-equivalent adjustment	143	128	11.7	(81)	(41)	(97.6)	596	571	4.4
Net income	\$251	\$223	12.6	\$16	\$85	(81.2)	\$1,201	\$1,153	4.2
<b>Average Balance Sheet Data</b>									
Loans	\$12,270	\$11,856	3.5 %	\$229	\$266	(13.9) %	\$140,863	\$139,379	1.1 %
Other earning assets	69	67	3.0	41,171	41,272	(.2)	44,027	43,722	.7
Goodwill	2,463	2,286	7.7	1	--	**	7,279	7,097	2.6
Other intangible assets	1,165	1,056	10.3	--	--	--	3,146	2,939	7.0
Assets	17,294	16,464	5.0	49,918	50,450	(1.1)	212,407	210,025	1.1
Noninterest-bearing deposits	297	293	1.4	157	149	5.4	28,949	28,837	.4
Interest-bearing deposits	22	21	4.8	1,702	2,850	(40.3)	92,284	91,326	1.0
Total deposits	319	314	1.6	1,859	2,999	(38.0)	121,233	120,163	.9
Shareholders' equity	4,747	4,364	8.8	1,470	1,624	(9.5)	20,556	20,148	2.0

\* Preliminary data

\*\* Not meaningful

## U.S. Bancorp

**Line of Business Financial Performance \***

Six Months Ended (Dollars in Millions, Unaudited)	Wholesale Banking			Consumer Banking			Wealth Management		
	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$950	\$911	4.3 %	\$1,918	\$1,862	3.0 %	\$252	\$205	22.9 %
Noninterest income	449	448	.2	848	873	(2.9)	719	596	20.6
Securities gains (losses), net	2	(4)	**	--	--	--	--	--	--
Total net revenue	1,401	1,355	3.4	2,766	2,735	1.1	971	801	21.2
Noninterest expense	459	451	1.8	1,211	1,188	1.9	482	411	17.3
Other intangibles	8	8	--	25	126	(80.2)	44	31	41.9
Total noninterest expense	467	459	1.7	1,236	1,314	(5.9)	526	442	19.0
Income before provision and income taxes	934	896	4.2	1,530	1,421	7.7	445	359	24.0
Provision for credit losses	(7)	(2)	**	117	137	(14.6)	2	2	--
Income before income taxes	941	898	4.8	1,413	1,284	10.0	443	357	24.1
Income taxes and taxable-equivalent adjustment	343	327	4.9	514	468	9.8	161	130	23.8
Net income	\$598	\$571	4.7	\$899	\$816	10.2	\$282	\$227	24.2
<b>Average Balance Sheet Data</b>									
Loans	\$50,281	\$47,422	6.0 %	\$72,490	\$65,698	10.3 %	\$5,043	\$4,885	3.2 %
Other earning assets	515	230	**	1,948	1,907	2.1	123	149	(17.4)
Goodwill	1,329	1,329	--	2,107	2,109	(.1)	1,376	874	57.4
Other intangible assets	57	76	(25.0)	1,392	1,141	22.0	484	323	49.8
Assets	56,287	53,248	5.7	80,405	73,251	9.8	7,466	6,638	12.5
Noninterest-bearing deposits	12,049	12,125	(.6)	12,747	12,937	(1.5)	3,649	3,527	3.5
Interest-bearing deposits	21,102	20,408	3.4	58,021	58,985	(1.6)	10,390	8,947	16.1
Total deposits	33,151	32,533	1.9	70,768	71,922	(1.6)	14,039	12,474	12.5
Shareholders' equity	5,474	5,296	3.4	6,424	6,445	(.3)	2,351	1,671	40.7

Six Months Ended (Dollars in Millions, Unaudited)	Payment Services			Treasury and Corporate Support			Consolidated Company		
	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change	June 30, 2006	June 30, 2005	Percent Change
<b>Condensed Income Statement</b>									
Net interest income (taxable-equivalent basis)	\$319	\$281	13.5 %	(\$17)	\$253	** %	\$3,422	\$3,512	(2.6) %
Noninterest income	1,244	1,031	20.7	106	33	**	3,366	2,981	12.9
Securities gains (losses), net	--	--	--	1	(54)	**	3	(58)	**
Total net revenue	1,563	1,312	19.1	90	232	(61.2)	6,791	6,435	5.5
Noninterest expense	596	496	20.2	108	128	(15.6)	2,856	2,674	6.8
Other intangibles	97	84	15.5	--	3	**	174	252	(31.0)
Total noninterest expense	693	580	19.5	108	131	(17.6)	3,030	2,926	3.6
Income before provision and income taxes	870	732	18.9	(18)	101	**	3,761	3,509	7.2
Provision for credit losses	125	181	(30.9)	3	(2)	**	240	316	(24.1)
Income before income taxes	745	551	35.2	(21)	103	**	3,521	3,193	10.3
Income taxes and taxable-equivalent adjustment	271	200	35.5	(122)	(124)	(1.6)	1,167	1,001	16.6
Net income	\$474	\$351	35.0	\$101	\$227	(55.5)	\$2,354	\$2,192	7.4
<b>Average Balance Sheet Data</b>									
Loans	\$12,064	\$11,161	8.1 %	\$247	\$308	(19.8) %	\$140,125	\$129,474	8.2 %
Other earning assets	68	67	1.5	41,221	43,195	(4.6)	43,875	45,548	(3.7)
Goodwill	2,375	1,986	19.6	1	(1)	**	7,188	6,297	14.1
Other intangible assets	1,111	940	18.2	--	8	**	3,044	2,488	22.3
Assets	16,882	14,818	13.9	50,182	51,435	(2.4)	211,222	199,390	5.9
Noninterest-bearing deposits	295	137	**	153	58	**	28,893	28,784	.4
Interest-bearing deposits	22	15	46.7	2,273	3,193	(28.8)	91,808	91,548	.3
Total deposits	317	152	**	2,426	3,251	(25.4)	120,701	120,332	.3
Shareholders' equity	4,557	3,941	15.6	1,547	2,459	(37.1)	20,353	19,812	2.7

\* Preliminary data

\*\* Not meaningful