



Form 10-Q/March 31, 2006



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from (not applicable)

Commission file number 1-6880

U.S. BANCORP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

41-0255900

(I.R.S. Employer
Identification Number)

800 Nicollet Mall

Minneapolis, Minnesota 55402

(Address of principal executive offices, including zip code)

651-466-3000

(Registrant's telephone number, including area code)

(not applicable)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer X Accelerated filer ____ Non-accelerated filer ____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ____ NO X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, \$.01 Par Value

Outstanding as of April 30, 2006
1,779,884,597 shares

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Restated Certificate of Incorporation

Computation of Ratio of Earnings to Fixed Charges

Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)

Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995.

This Form 10-Q 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 U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and many 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. Refer to the sections entitled “Risk Factors” and “Corporate Risk Profile” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, which you should read carefully, for further discussion of these and other risks.

Table 1 Selected Financial Data

	Three Months Ended March 31,		
	2006	2005	Percent Change
(Dollars and Shares in Millions, Except Per Share Data)			
Condensed Income Statement			
Net interest income (taxable-equivalent basis) (a)	\$1,725	\$1,751	(1.5)%
Noninterest income	1,614	1,441	12.0
Securities losses, net	—	(59)	*
Total net revenue	3,339	3,133	6.6
Noninterest expense	1,500	1,331	12.7
Provision for credit losses	115	172	(33.1)
Income before taxes	1,724	1,630	5.8
Taxable-equivalent adjustment	10	7	42.9
Applicable income taxes	561	552	1.6
Net income	\$1,153	\$1,071	7.7
Per Common Share			
Earnings per share	\$.64	\$.58	10.3%
Diluted earnings per share	.63	.57	10.5
Dividends declared per share	.33	.30	10.0
Book value per share	10.80	10.43	3.5
Market value per share	30.50	28.82	5.8
Average common shares outstanding	1,801	1,852	(2.8)
Average diluted common shares outstanding	1,826	1,880	(2.9)
Financial Ratios			
Return on average assets	2.23%	2.21%	
Return on average common equity	23.3	21.9	
Net interest margin (taxable-equivalent basis)	3.80	4.08	
Efficiency ratio (b)	44.9	41.7	
Average Balances			
Loans	\$139,379	\$127,654	9.2%
Loans held for sale	1,669	1,429	16.8
Investment securities	39,680	42,813	(7.3)
Earning assets	183,101	173,294	5.7
Assets	210,025	196,935	6.6
Noninterest-bearing deposits	28,837	28,417	1.5
Deposits	120,163	119,423	.6
Short-term borrowings	24,356	15,606	56.1
Long-term debt	38,229	35,440	7.9
Shareholders' equity	20,148	19,803	1.7
	March 31, 2006	December 31, 2005	
Period End Balances			
Loans	\$138,782	\$137,806	.7%
Allowance for credit losses	2,251	2,251	—
Investment securities	39,396	39,768	(.9)
Assets	209,907	209,465	.2
Deposits	121,744	124,709	(2.4)
Long-term debt	39,327	37,069	6.1
Shareholders' equity	20,256	20,086	.8
Regulatory capital ratios			
Tier 1 capital	8.9%	8.2%	
Total risk-based capital	13.1	12.5	
Leverage	8.2	7.6	
Tangible common equity	5.4	5.9	

* Not meaningful.

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

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

Management's Discussion and Analysis

OVERVIEW

Earnings Summary U.S. Bancorp and its subsidiaries (the "Company") reported net income of \$1,153 million for the first quarter of 2006 or \$.63 per diluted share, compared with \$1,071 million, or \$.57 per diluted share for the first quarter of 2005. Return on average assets and return on average common equity were 2.23 percent and 23.3 percent, respectively, for the first quarter of 2006, compared with returns of 2.21 percent and 21.9 percent, respectively, for the first quarter of 2005. The Company's results for the first quarter of 2006 improved over the first quarter of 2005, as net income rose by \$82 million (7.7 percent), primarily due to growth in a majority of fee-based products and lower provision for credit losses due to strong credit quality and the near-term favorable impact of bankruptcy legislation enacted in the fourth quarter of 2005. During the first quarter, the Company adopted certain changes in accounting related to mortgage banking and stock-based compensation that impacted individual revenue and expense categories. Refer to "Recent Accounting Changes" below for further discussion.

Total net revenue, on a taxable-equivalent basis, for the first quarter of 2006, was \$206 million (6.6 percent) higher than the first quarter of 2005, primarily reflecting a 16.8 percent increase in noninterest income, partially offset by a 1.5 percent decline in net interest income reflecting the impact of rising interest rates during the past several quarters. Noninterest income included 12.0 percent growth in fee-based revenue across the majority of fee categories driven by organic growth, expansion in trust and payment processing businesses and trading income related to certain derivatives, partially offset by the impact on mortgage banking revenue of adopting a change in accounting methods for mortgage servicing rights ("MSRs"). In addition to fee-based revenue growth, there was a favorable change in noninterest income due to the recognition of \$59 million in securities losses realized in the first quarter of 2005.

Total noninterest expense in the first quarter of 2006 was \$169 million (12.7 percent) higher than the first quarter of 2005, primarily reflecting investments in distribution and technology, operating and business integration costs associated with recently acquired trust and payment processing businesses, increased pension costs and the impact of increased investments in tax-advantaged projects from a year ago.

The provision for credit losses for the first quarter of 2006 decreased \$57 million (33.1 percent), compared with the first quarter of 2005. The decrease in the provision for credit losses year-over-year primarily reflected stronger credit quality and the near-term favorable impact of changes in bankruptcy law in the fourth quarter of 2005. Net charge-offs in the first quarter of 2006 were \$115 million, compared with \$172 million in the first quarter of 2005. The decline in losses from a year ago was principally due to the impact of bankruptcy legislation that went into effect during the fourth quarter of 2005. Refer to "Corporate Risk Profile" for further information on the provision for credit losses, net charge-offs, nonperforming assets and factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

RECENT ACCOUNTING CHANGES

Mortgage Servicing Rights In March 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 156 ("SFAS 156"), "Accounting for Servicing of Financial Assets", allowing companies to elect to account for some or all servicing assets utilizing the fair value method. Under its transition rules, SFAS 156 is effective as of the beginning of any fiscal year after September 15, 2006, with early adoption permitted as of January 1, 2006. The Company elected to adopt SFAS 156 specifically for its residential MSRs resulting in a reduction in mortgage banking revenue, relative to the prior method of accounting for MSRs, of approximately \$64 million. This revenue reduction consisted of several components including losses on principal-only securities reclassified as trading securities, a hedging/ MSR valuation mismatch due to the timing of the issuance of SFAS 156 and the effect of repayments on the valuation of MSRs that was previously recognized in noninterest expense as part of intangibles amortization. This impact to mortgage banking revenue was offset somewhat by changes in noninterest expense resulting in a favorable net effect of \$24 million from eliminating residential MSR amortization and reparation under the new standard.

Stock-Based Compensation In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS 123R"), "Share-Based Payment", a revision of Statement of Financial

Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation.” SFAS 123R requires companies to measure the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award. In 2003, the Company retroactively adopted the fair value method of accounting for stock awards under SFAS 123. As such, the impact of expensing stock-based compensation is substantially incorporated into the Company’s financial results. During the first quarter of 2006, the Company implemented SFAS 123R resulting in \$13 million of incremental stock-based compensation expense due to certain provisions that require immediate recognition of the value of stock awards to employees that meet retirement status, despite their continued active employment. Upon adoption, the Company also changed its method of expensing all new awards from an accelerated to a straight-line attribution method. Because of the timing of granting stock awards, the impact of this change was not significant to first quarter results. However, this methodology change for expensing stock awards is expected to reduce expenses in 2006 by approximately \$33 million (\$20 million after tax).

Note 2 of the Notes to Consolidated Financial Statements discusses accounting standards recently adopted and the impact of the changes in these accounting standards.

STATEMENT OF INCOME ANALYSIS

Net Interest Income Net interest income, on a taxable-equivalent basis, was \$1,725 million in the first quarter of 2006, compared with \$1,751 million in the first quarter of 2005. Average earning assets increased \$9.8 billion (5.7 percent) in the first quarter of 2006, compared with the first quarter of 2005. The increase in average earning assets was primarily driven by growth in residential mortgages, commercial loans, retail loans and commercial real estate loans, partially offset by a 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 which declined to 3.80 percent in the first quarter of 2006, compared with 4.08 percent for the first 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 first quarter of 2005, credit spreads have tightened by approximately 20 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 reduce the Company’s interest rate sensitivity position, including a 46.5 percent reduction in the net receive-fixed swap position since March 31, 2005. An increase in the margin benefit from net free funds and loan fees partially offset these factors. Refer to the “Consolidated Daily Average Balance Sheet and Related Yields and Rates” table for further information on net interest income.

Average loans for the first quarter of 2006 were \$11.7 billion (9.2 percent) higher than the first quarter of 2005, driven by growth in residential mortgages of \$5.2 billion (32.6 percent), commercial loans of \$2.9 billion (7.1 percent) and retail loans of \$2.5 billion (5.8 percent). Commercial real estate loans for the first quarter of 2006 also increased \$1.1 billion (4.0 percent), relative to the first quarter of 2005. 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 stable or slightly decline in future periods.

Average investment securities in the first quarter of 2006 were \$3.1 billion (7.3 percent) lower than the first quarter of 2005. The decline in the investment securities portfolio from a year ago principally reflected prepayments, maturities and asset/liability risk management decisions to reduce the Company’s rate sensitivity position given the changing interest rate environment and mix of loan growth. Additionally, the Company reclassified approximately \$460 million of principal-only securities to its trading account effective January 1, 2006, in connection with the adoption of SFAS 156. During the first quarter of 2006, the Company maintained a mix of approximately 41 percent variable-rate securities.

Average noninterest-bearing deposits for the first quarter of 2006 increased \$420 million (1.5 percent), compared with the first quarter of 2005, primarily reflecting growth in business demand account balances within most lines of business.

Average total savings products declined year-over-year by \$3.2 billion (5.3 percent) in the first quarter of 2006, compared with the first quarter of 2005, due to reductions in average money market savings and other savings account balances. Average money market savings balances declined year-over-year by \$2.9 billion (9.5 percent) primarily due to a decline in balances within the branches. This decrease was partially offset by increases in broker dealer, corporate trust and government banking balances. The overall decrease in average money market savings balances year-over-year

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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 by \$527 million (4.1 percent) in the first quarter of 2006, compared with the first quarter of 2005. Average time deposits greater than \$100,000 grew \$3.0 billion (15.9 percent) in the first quarter of 2006, compared with the same period of 2005. This growth was broad-based across most business lines including: government banking, commercial and branch banking, private client and corporate trust, as customers migrated balances to higher rate deposits.

Provision for Credit Losses The provision for credit losses for the first quarter of 2006 decreased \$57 million (33.1 percent), compared with the first quarter of 2005. The decrease in the provision for credit losses year-over-year primarily reflected stronger credit quality and the near-term favorable impact of changes in bankruptcy law in the fourth quarter of 2005. Net charge-offs in the first quarter of 2006 were \$115 million, compared with \$172 million in the first quarter of 2005. The decline in losses from a year ago was principally due to the impact of bankruptcy legislation that went into effect during the fourth quarter of 2005. Refer to "Corporate Risk Profile" for further information on the provision for credit losses, net charge-offs, nonperforming assets and factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Noninterest Income Noninterest income in the first quarter of 2006 was \$1,614 million, compared with \$1,382 million in the first quarter of 2005. The \$232 million (16.8 percent) increase in the first quarter of 2006 over the first quarter of 2005, was driven by favorable variances in the majority of fee income categories and a favorable variance of \$59 million related to net securities losses recorded in the prior year. Also, included in noninterest income is the impact of certain accounting matters including changes related to derivatives offset by a reduction in mortgage banking revenue related to the adoption of SFAS 156.

The growth in credit and debit card revenue was primarily driven by higher transaction volumes from a year ago. The corporate payment products revenue growth reflected growth in sales volumes and card usage, and the acquisition of an aviation card business in the first quarter of 2005. ATM processing services revenue was higher due to the acquisition of an ATM business in May of 2005. Merchant processing services revenue growth reflects an increase in sales volume driven by new business growth and acquisitions and increased equipment sales. Trust and investment management fees increased year-over-year, primarily due to improved equity market conditions, account growth and the acquisition of the corporate and institutional trust business of Wachovia Corporation in the fourth quarter of 2005. Deposit service charges were higher year-over-year due to strong growth in transaction-related fees and customer account growth.

Table 2 Noninterest Income

(Dollars in Millions)	Three Months Ended March 31,		Percent Change
	2006	2005	
Credit and debit card revenue	\$182	\$154	18.2%
Corporate payment products revenue	127	107	18.7
ATM processing services	59	47	25.5
Merchant processing services	213	178	19.7
Trust and investment management fees	297	247	20.2
Deposit service charges	232	210	10.5
Treasury management fees	107	107	—
Commercial products revenue	104	96	8.3
Mortgage banking revenue	24	102	(76.5)
Investment products fees and commissions	38	39	(2.6)
Securities losses, net	—	(59)	*
Other	231	154	50.0
Total noninterest income	\$1,614	\$1,382	16.8%

* Not meaningful

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Other income was higher in the first quarter of 2006, primarily due to trading gains on interest rate swap derivatives, end-of-term retail lease residual value improvement, higher student loan sales gains and the receipt of a favorable settlement within the merchant processing business. In light of recent interpretations with respect to the application of accounting rules related to derivatives, the Company conducted a review during the first quarter of 2006 of all its derivatives utilized for hedging purposes. As a result of this review, the Company identified certain interest rate swaps designated as cash flow hedges that either did not have adequate documentation at the date of hedge inception or inappropriately utilized the “short-cut” method under Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities”. As such, the Company determined that changes in the market value of these derivatives, since their inception, should have been recorded as trading income despite the fact that these swaps were economically effective. The annual impact to net income of these errors for the years ended December 31, 2005, 2004 and 2003, was .4 percent, .8 percent and .8 percent, respectively. The Company evaluated the impact of these hedge accounting practices on its financial statements for all quarterly and annual periods during the three years ended December 31, 2005, and concluded that the impact of these errors was not material to each of these financial statements. However, the Company determined that it was appropriate to correct the accounting practices and record the cumulative impact of these errors during the first quarter of 2006, resulting in a \$44 million trading gain in other noninterest income. Of this amount, approximately \$14 million was related to changes in fair value since January 1, 2006. Management has concluded that the cumulative effect was also not material to the financial results of the Company for the interim period ended March 31, 2006.

Favorable changes in fee-based revenue were offset by a decline in investment products fees and commissions and mortgage banking revenue. The decline in mortgage banking revenue was principally driven by the adoption of the fair value method of accounting for MSRs (\$64 million) and lower gains from sales of residential mortgage loan production.

Noninterest Expense Noninterest expense was \$1,500 million in the first quarter of 2006, an increase of \$169 million (12.7 percent) from the first quarter of 2005. The increase in expense in the first quarter of 2006, compared with the first quarter of 2005, reflected the impact of business acquisitions and related integration costs and the adoption of the new accounting standards. Compensation expense was higher year-over-year in the first quarter of 2006, principally due to business expansion, including the Company’s payment processing businesses, the acquisition of Wachovia Corporation’s corporate and institutional trust business and other growth initiatives, as well as incremental expense related to the immediate expense recognition of the value of stock awards granted to retiree-eligible employees. Employee benefits increased year-over-year primarily as a result of higher pension costs, payroll taxes and employer-related benefit costs. Net occupancy and equipment expense increased in the first quarter of 2006 from the same quarter of 2005 primarily due to business expansion. Technology and communications expense rose due to increased software expense and higher outside data processing expense principally associated with the expansion in the trust business and implementing a prepaid gift card program in late 2005. Intangible expense increased

Table 3 Noninterest Expense

(Dollars in Millions)	Three Months Ended March 31,		Percent Change
	2006	2005	
Compensation	\$633	\$567	11.6%
Employee benefits	133	116	14.7
Net occupancy and equipment	165	154	7.1
Professional services	35	36	(2.8)
Marketing and business development	40	43	(7.0)
Technology and communications	117	106	10.4
Postage, printing and supplies	66	63	4.8
Other intangibles	85	71	19.7
Other	226	175	29.1
Total noninterest expense	\$1,500	\$1,331	12.7%
Efficiency ratio (a)	44.9%	41.7%	

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

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year-over-year primarily due to acquisitions within the payment processing and trust businesses. In connection with adopting SFAS 156, the impact of eliminating amortization of MSRs was more than offset by MSR reparation of \$54 million recognized in the first quarter of 2005. Other expense increased in the first quarter of 2006 from the same quarter of 2005, primarily due to the increased investments in tax-advantaged projects relative to a year ago, increased fraud losses and business integration costs.

Income Tax Expense The provision for income taxes was \$561 million (an effective rate of 32.7 percent) for the first quarter of 2006, compared with \$552 million (an effective rate of 34.0 percent) for the first quarter of 2005. The decline in the effective rate from the first quarter of 2005 was primarily due to higher tax exempt income and tax credit investments. For further information on income taxes, refer to Note 10 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company's total loan portfolio was \$138.8 billion at March 31, 2006, compared with \$137.8 billion at December 31, 2005, an increase of \$1.0 billion (.7 percent). The increase in total loans was driven by growth in commercial loans and commercial real estate loans, partially offset by decreases in retail loans and residential mortgages. The \$.9 billion (2.1 percent) increase in commercial loans was primarily driven by new customer relationships, utilization under lines of credit, growth in commercial leasing and corporate payment card balances.

Commercial real estate loans were \$28.8 billion at March 31, 2006, an increase of \$.3 billion (1.1 percent) compared with December 31, 2005. The increase was driven by growth in both commercial mortgages and construction loans principally within the Company's large corporate and middle market sectors.

Residential mortgages held in the loan portfolio were \$20.7 billion at both March 31, 2006, and December 31, 2005. 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 stable or decline slightly during the next several quarters.

Total retail loans outstanding, which include credit card, retail leasing, home equity and second mortgages and other retail loans, decreased \$.2 billion (.4 percent) at March 31, 2006, compared with December 31, 2005. The decrease was primarily driven by declines in home equity lines and retail leasing, seasonal credit card activity and student loan sales, partially offset by increases in installment and home equity loans.

Investment Securities Investment securities, both available-for-sale and held-to-maturity, totaled \$39.4 billion at March 31, 2006, compared with \$39.8 billion at December 31, 2005, reflecting purchases of \$1.9 billion of securities, more than offset by maturities and prepayments and the reclassification of \$.5 billion of principal-only securities to the trading account effective January 1, 2006, in connection with the adoption of SFAS 156. As of March 31, 2006, and December 31, 2005, approximately 41 percent of the investment securities portfolio represented adjustable-rate financial instruments. Adjustable-rate financial instruments include variable-rate collateralized mortgage obligations, mortgage-backed securities, agency securities, adjustable-rate money market accounts and asset-backed securities.

Table 4 Investment Securities

March 31, 2006 (Dollars in Millions)	Available-for-Sale				Held-to-Maturity			
	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (d)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (d)
U.S. Treasury and agencies								
Maturing in one year or less	\$98	\$98	.5	4.62%	\$—	\$—	—	—%
Maturing after one year through five years	39	39	2.5	6.17	—	—	—	—
Maturing after five years through ten years	15	15	6.9	6.63	—	—	—	—
Maturing after ten years	338	328	14.4	5.97	—	—	—	—
Total	\$490	\$480	10.4	5.73%	\$—	\$—	—	—%
Mortgage-backed securities (a)								
Maturing in one year or less	\$300	\$301	.7	5.61%	\$—	\$—	—	—%
Maturing after one year through five years	18,985	18,362	3.7	4.61	8	8	3.0	5.08
Maturing after five years through ten years	13,012	12,510	7.3	5.08	—	—	—	—
Maturing after ten years	4,785	4,794	13.9	6.06	—	—	—	—
Total	\$37,082	\$35,967	6.2	4.97%	\$8	\$8	3.0	5.08%
Asset-backed securities (a)								
Maturing in one year or less	\$9	\$9	.7	5.32%	\$—	\$—	—	—%
Maturing after one year through five years	—	—	—	—	—	—	—	—
Maturing after five years through ten years	—	—	—	—	—	—	—	—
Maturing after ten years	—	—	—	—	—	—	—	—
Total	\$9	\$9	.7	5.32	\$—	\$—	—	—%
Obligations of state and political subdivisions (b)								
Maturing in one year or less	\$58	\$58	.4	7.27%	\$12	\$12	.1	5.80%
Maturing after one year through five years	45	46	2.4	7.25	21	21	3.2	6.06
Maturing after five years through ten years	1,166	1,160	9.3	6.67	14	16	7.8	7.18
Maturing after ten years	512	503	14.6	6.42	39	40	16.0	6.08
Total	\$1,781	\$1,767	10.4	6.63%	\$86	\$89	9.4	6.22%
Other debt securities								
Maturing in one year or less	\$348	\$348	.1	4.03%	\$4	\$4	.4	6.18%
Maturing after one year through five years	20	20	1.4	4.06	11	11	3.2	5.61
Maturing after five years through ten years	15	15	10.0	5.74	1	1	6.0	5.15
Maturing after ten years	627	626	21.4	5.59	—	—	—	—
Total	\$1,010	\$1,009	13.5	5.02%	\$16	\$16	2.7	5.74%
Other investments	\$52	\$54	—	—%	\$—	\$—	—	—%
Total investment securities (c)	\$40,424	\$39,286	6.7	5.06%	\$110	\$113	8.0	6.07%

(a) Information related to asset and mortgage-backed securities included above is presented based upon weighted-average maturities anticipating future prepayments.

(b) Information related to obligations of state and political subdivisions is presented based upon yield to first optional call date if the security is purchased at a premium, yield to maturity if purchased at par or a discount.

(c) The weighted-average maturity of the available for sale investment securities was 6.1 years at December 31, 2005, with a corresponding weighted-average yield of 4.89 percent. The weighted-average maturity of the held-to-maturity investment securities was 7.2 years at December 31, 2005, with a corresponding weighted-average yield of 6.44 percent.

(d) Average yields are presented on a fully-taxable equivalent basis under a tax rate of 35 percent. Yields on available-for-sale and held-to-maturity securities are computed based on historical cost balances. Average yield and maturity calculations exclude equity securities that have no stated yield or maturity.

(Dollars in Millions)	March 31, 2006		December 31, 2005	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
U.S. Treasury and agencies	\$490	1.2%	\$496	1.2%
Mortgage-backed securities	37,090	91.5	38,169	94.4
Asset-backed securities	9	—	12	.1
Obligations of state and political subdivisions	1,867	4.6	724	1.8
Other debt securities and investments	1,078	2.7	1,029	2.5
Total investment securities	\$40,534	100.0%	\$40,430	100.0%

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Deposits Total deposits were \$121.7 billion at March 31, 2006, compared with \$124.7 billion at December 31, 2005, a decrease of \$3.0 billion (2.4 percent). The decrease in total deposits was primarily the result of decreases in noninterest-bearing deposits and money market savings accounts, partially offset by increases in interest checking and other savings accounts. The \$2.8 billion (8.8 percent) decrease in noninterest-bearing deposits was primarily due to seasonality of corporate trust and corporate banking deposits. The \$1.2 billion (4.1 percent) decrease in money market savings account balances reflected 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. Interest checking accounts increased \$0.5 billion (2.3 percent) due to an increase in trust and custody balances and saving account balances increased \$0.4 billion (6.9 percent) due to an increase in consumer banking and private banking balances.

Borrowings The Company utilizes both short-term and long-term borrowings to fund growth of earning assets in excess of deposit growth. Short-term borrowings, which include federal funds purchased, commercial paper, securities sold under agreements to repurchase and other short-term borrowings, were \$20.7 billion at March 31, 2006, compared with \$20.2 billion at December 31, 2005. Short-term funding is managed within approved liquidity policies. The increase of \$0.5 billion in short-term borrowings reflected wholesale funding associated with the Company's earning asset growth and asset/liability management activities. Long-term debt was \$39.3 billion at March 31, 2006, compared with \$37.1 billion at December 31, 2005, reflecting the issuances of \$2.0 billion of bank notes and \$1.3 billion of junior subordinated debentures and the addition of \$0.8 billion of Federal Home Loan Bank ("FHLB") advances, partially offset by \$1.6 billion of medium-term note maturities. Refer to the "Liquidity Risk Management" section for discussion of liquidity management of the Company.

CORPORATE RISK PROFILE

Overview Managing risks is an essential part of successfully operating a financial services company. The most prominent risk exposures are credit, residual, operational, interest rate, market and liquidity risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Residual risk is the potential reduction in the end-of-term value of leased assets or the residual cash flows related to asset securitization and other off-balance sheet structures. Operational risk includes risks related to fraud, legal and compliance risk, processing errors, technology, breaches of internal controls and business continuation and disaster recovery risk. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Rate movements can affect the repricing of assets and liabilities differently, as well as their market value. Market risk arises from fluctuations in interest rates, foreign exchange rates, and equity prices that may result in changes in the values of financial instruments, such as trading and available-for-sale securities that are accounted for on a mark-to-market basis. Liquidity risk is the possible inability to fund obligations to depositors, investors or borrowers. In addition, corporate strategic decisions, as well as the risks described above, could give rise to reputation risk. Reputation risk is the risk that negative publicity or press, whether true or not, could result in costly litigation or cause a decline in the Company's stock value, customer base or revenue.

Credit Risk Management The Company's strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all commercial and consumer credit exposures. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of loans experiencing deterioration of credit quality. The credit risk management strategy also includes a credit risk assessment process, independent of business line managers, that performs assessments of compliance with commercial and consumer credit policies, risk ratings, and other critical credit information. The Company strives to identify potential problem loans early, take any necessary charge-offs promptly and maintain adequate reserve levels for probable loan losses inherent in the portfolio.

In evaluating its credit risk, the Company considers changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, the level of allowance coverage relative to similar banking institutions and macroeconomic factors. Economic conditions during the first quarter of 2006 have improved from the first quarter of 2005, as reflected in

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strong expansion of the gross domestic product index, lower unemployment rates, favorable trends related to corporate profits and consumer spending for retail goods and services. Current economic conditions are relatively unchanged from December 31, 2005. The Federal Reserve Bank continued increasing short-term interest rates in an effort to prevent an acceleration of inflation and maintain the current rate of economic growth.

Refer to “Management’s Discussion and Analysis — Credit Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for a more detailed discussion on credit risk management processes.

Loan Delinquencies Trends in delinquency ratios represent an indicator, among other considerations, of credit risk within the Company’s loan portfolios. The entire balance of the account is considered delinquent if the minimum payment contractually required to be made is not received by the specified date on the billing statement. The Company measures delinquencies, both including and excluding nonperforming loans, to enable comparability with other companies. Accruing loans 90 days or more past due totaled \$251 million at March 31, 2006, compared with \$253 million at December 31, 2005. These loans are not included in nonperforming assets and continue to accrue interest because they are adequately secured by collateral, and/or are in the process of collection and are reasonably expected to result in repayment or restoration to current status. The ratio of delinquent loans to total loans was .18 percent at March 31, 2006, and December 31, 2005.

To monitor credit risk associated with retail loans, the Company monitors delinquency ratios in the various stages of collection including nonperforming status.

Table 5 Delinquent Loan Ratios as a Percent of Ending Loan Balances

90 days or more past due excluding nonperforming loans	March 31, 2006	December 31, 2005
Commercial		
Commercial	.05%	.06%
Lease financing	—	—
Total commercial	.05	.05
Commercial real estate		
Commercial mortgages	—	—
Construction and development	—	—
Total commercial real estate	—	—
Residential mortgages	.31	.32
Retail		
Credit card	1.45	1.26
Retail leasing	.03	.04
Other retail	.20	.22
Total retail	.36	.36
Total loans	.18%	.18%

90 days or more past due including nonperforming loans	March 31, 2006	December 31, 2005
Commercial	.64%	.69%
Commercial real estate	.51	.55
Residential mortgages (a)	.53	.55
Retail	.52	.50
Total loans	.56%	.58%

(a) Delinquent loan ratios exclude advances made pursuant to servicing agreements to Government National Mortgage Association (“GNMA”) mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Including the guaranteed amounts, the ratio of residential mortgages 90 days or more past due was 3.57 percent at March 31, 2006, and 4.35 percent at December 31, 2005.

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The following table provides summary delinquency information for residential mortgages and retail loans:

(Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
Residential mortgages				
30-89 days	\$ 81	\$112	.39%	.55%
90 days or more	65	67	.31	.32
Nonperforming	45	48	.22	.23
Total	\$191	\$227	.92%	1.10%
Retail				
Credit card				
30-89 days	\$143	\$147	2.05%	2.06%
90 days or more	101	90	1.45	1.26
Nonperforming	51	49	.73	.69
Total	\$295	\$286	4.23%	4.01%
Retail leasing				
30-89 days	\$ 27	\$ 43	.37%	.59%
90 days or more	2	3	.03	.04
Nonperforming	—	—	—	—
Total	\$ 29	\$ 46	.40%	.63%
Other retail				
30-89 days	\$164	\$206	.52%	.66%
90 days or more	63	70	.20	.22
Nonperforming	19	17	.06	.06
Total	\$246	\$293	.78%	.94%

Nonperforming Assets The level of nonperforming assets represents another indicator of the potential for future credit losses. Nonperforming assets include nonaccrual loans, restructured loans not performing in accordance with modified terms, other real estate and other nonperforming assets owned by the Company. Interest payments collected from assets on nonaccrual status are typically applied against the principal balance and not recorded as income. At March 31, 2006, total nonperforming assets were \$619 million, compared with \$644 million at December 31, 2005. The ratio of total nonperforming assets to total loans and other real estate decreased to .45 percent at March 31, 2006, compared with .47 percent at December 31, 2005.

Included in nonperforming loans were restructured loans of \$67 million at March 31, 2006, compared with \$75 million at December 31, 2005. Commitments to lend additional funds under restructured loans were \$1 million at March 31, 2006, compared to \$9 million at December 31, 2005.

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Table 6 Nonperforming Assets (a)

(Dollars in Millions)	March 31, 2006	December 31, 2005
Commercial		
Commercial	\$219	\$231
Lease financing	41	42
Total commercial	260	273
Commercial real estate		
Commercial mortgages	123	134
Construction and development	23	23
Total commercial real estate	146	157
Residential mortgages	45	48
Retail		
Credit card	51	49
Retail leasing	—	—
Other retail	19	17
Total retail	70	66
Total nonperforming loans	521	544
Other real estate (b)	71	71
Other assets	27	29
Total nonperforming assets	\$619	\$644
Accruing loans 90 days or more past due	\$251	\$253
Nonperforming loans to total loans	.38%	.39%
Nonperforming assets to total loans plus other real estate (b)	.45%	.47%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Retail and Residential Mortgages (d)	Total
Balance December 31, 2005	\$457	\$187	\$644
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	71	27	98
Advances on loans	10	—	10
Total additions	81	27	108
Reductions in nonperforming assets			
Paydowns, payoffs	(57)	(20)	(77)
Net sales	—	—	—
Return to performing status	(20)	(2)	(22)
Charge-offs (c)	(29)	(5)	(34)
Total reductions	(106)	(27)	(133)
Net additions to (reductions in) nonperforming assets	(25)	—	(25)
Balance March 31, 2006	\$432	\$187	\$619

(a) Throughout this document, nonperforming assets and related ratios do not include accruing loans 90 days or more past due.

(b) Excludes \$83 million of foreclosed GNMA loans which continue to accrue interest.

(c) Charge-offs exclude actions for certain card products and loan sales that were not classified as nonperforming at the time the charge-off occurred.

(d) Residential mortgage information excludes changes related to residential mortgages serviced by others.

Restructured Loans Accruing Interest On a case-by-case basis, management determines whether an account that experiences financial difficulties should be modified as to its interest rate or repayment terms to maximize the Company's collection of its balance. Loans restructured at a rate equal to or greater than that of a new loan with comparable risk at the time the contract is modified are excluded from restructured loans once repayment performance, in accordance with the modified agreement, has been demonstrated over several payments cycles. Loans that have interest rates reduced below comparable market rates remain classified as restructured loans; however, interest income is accrued at the reduced rate as long as the customer complies with the revised terms and conditions.

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The following table provides a summary of restructured loans that continue to accrue interest:

(Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	March 31, 2006	December 31, 2005	March 31, 2006	December 31, 2005
Commercial	\$15	\$5	.03%	.01%
Commercial real estate	1	1		
Residential mortgages	64	59	.31	.28
Credit card	255	218	3.65	3.05
Other retail	36	32	.09	.08
Total	\$371	\$315	.27%	.23%

Restructured loans that continue to accrue interest were higher at March 31, 2006, compared with December 31, 2005, reflecting the impact of the Company implementing higher minimum balance payment requirements for credit card customers in response to industry guidance issued by the banking regulatory agencies.

Analysis of Loan Net Charge-Offs Total loan net charge-offs were \$115 million during the first quarter of 2006, compared with net charge-offs of \$172 million, for the first quarter of 2005. The ratio of total loan net charge-offs to average loans in the first quarter of 2006 was .33 percent, compared with .55 percent, for the first quarter of 2005.

Commercial and commercial real estate loan net charge-offs for the first quarter of 2006 were \$14 million (.08 percent of average loans outstanding), compared with \$33 million (.20 percent of average loans outstanding) in the first quarter of 2005. The year-over-year improvement in net charge-offs was broad-based across most industries within the commercial loan portfolio. The Company anticipates commercial loan recoveries to decline somewhat over the next several quarters causing commercial loan net charge-offs to stabilize or slightly increase.

Retail loan net charge-offs for the first quarter of 2006 were \$94 million (.83 percent of average loans outstanding), compared with \$130 million (1.22 percent of average loans outstanding) for the first quarter of 2005. The decrease in retail loan net charge-offs reflected lower charge-offs in the first quarter of 2006 due to additional charge-offs in the fourth quarter of 2005 related to new bankruptcy legislation. The Company anticipates that bankruptcy charge-offs will return to more normal levels in future quarters.

The Company's retail lending business utilizes several distinct business processes and channels to originate retail credit including traditional branch lending, indirect lending and a consumer finance division. Each distinct underwriting and origination activity manages unique credit risk characteristics and prices its loan production commensurate with the differing risk profiles. Within Consumer Banking, U.S. Bank Consumer Finance ("USBCF") participates in all facets of the Company's consumer lending activities. USBCF specializes in serving channel-specific and alternative lending markets in residential mortgages,

Table 7 Net Charge-offs as a Percent of Average Loans Outstanding

	Three Months Ended March 31,	
	2006	2005
Commercial		
Commercial	.05%	.16%
Lease financing	.56	1.07
Total commercial	.11	.27
Commercial real estate		
Commercial mortgages	.04	.08
Construction and development	—	.11
Total commercial real estate	.03	.09
Residential mortgages	.14	.23
Retail		
Credit card	2.62	4.11
Retail leasing	.22	.45
Home equity and second mortgages	.33	.46
Other retail	.78	1.09
Total retail	.83	1.22
Total loans	.33%	.55%

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home equity and installment loan financing. USBCF manages loans originated through a broker network, correspondent relationships and U.S. Bank branch offices. Generally, loans managed by the Company's consumer finance division exhibit higher credit risk characteristics, but are priced commensurate with the differing risk profile.

The following table provides an analysis of net charge-offs as a percent of average loans outstanding managed by the consumer finance division, compared with traditional branch related loans:

Three Months Ended March 31 (Dollars in Millions)	Average Loan Amount		Percent of Average Loans	
	2006	2005	2006	2005
Consumer Finance (a)				
Residential mortgages	\$6,814	\$5,121	.42%	.55%
Home equity and second mortgages	2,057	2,657	1.38	1.68
Other retail	403	382	5.03	5.31
Traditional Branch				
Residential mortgages	\$14,173	\$10,706	—%	.08%
Home equity and second mortgages	12,878	12,187	.16	.20
Other retail	16,143	14,485	.68	.98
Total Company				
Residential mortgages	\$20,987	\$15,827	.14%	.23%
Home equity and second mortgages	14,935	14,844	.33	.46
Other retail	16,546	14,867	.78	1.09

(a) Consumer finance category included credit originated and managed by USBCF, as well as home equity and second mortgages with a loan-to-value greater than 100 percent that were originated in the branches.

Analysis and Determination of the Allowance for Credit Losses The allowance for loan losses provides coverage for probable and estimable losses inherent in the Company's loan and lease portfolio. Management evaluates the allowance each quarter to determine that it is adequate to cover these inherent losses. The evaluation of each element and the overall allowance is based on a continuing assessment of problem loans, recent loss experience and other factors, including regulatory guidance and economic conditions. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments, which is included in other liabilities in the Consolidated Balance Sheet. Both the allowance for loan losses and the liability for unfunded credit commitments are included in the Company's analysis of the allowance for credit losses.

At March 31, 2006, the allowance for credit losses was \$2,251 million (1.62 percent of loans), compared with an allowance of \$2,251 million (1.63 percent of loans) at December 31, 2005. The ratio of the allowance for credit losses to nonperforming loans was 432 percent at March 31, 2006, compared with 414 percent at December 31, 2005. The ratio of the allowance for credit losses to annualized loan net charge-offs was 483 percent at March 31, 2006, compared with 329 percent at December 31, 2005.

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Table 8 Summary of Allowance for Credit Losses

(Dollars in Millions)	Three Months Ended March 31,	
	2006	2005
Balance at beginning of period	\$2,251	\$2,269
Charge-offs		
Commercial		
Commercial	28	32
Lease financing	12	23
Total commercial	40	55
Commercial real estate		
Commercial mortgages	3	6
Construction and development	—	2
Total commercial real estate	3	8
Residential mortgages	8	10
Retail		
Credit card	54	73
Retail leasing	7	11
Home equity and second mortgages	16	21
Other retail	47	53
Total retail	124	158
Total charge-offs	175	231
Recoveries		
Commercial		
Commercial	23	18
Lease financing	5	10
Total commercial	28	28
Commercial real estate		
Commercial mortgages	1	2
Construction and development	—	—
Total commercial real estate	1	2
Residential mortgages	1	1
Retail		
Credit card	8	8
Retail leasing	3	3
Home equity and second mortgages	4	4
Other retail	15	13
Total retail	30	28
Total recoveries	60	59
Net Charge-offs		
Commercial		
Commercial	5	14
Lease financing	7	13
Total commercial	12	27
Commercial real estate		
Commercial mortgages	2	4
Construction and development	—	2
Total commercial real estate	2	6
Residential mortgages	7	9
Retail		
Credit card	46	65
Retail leasing	4	8
Home equity and second mortgages	12	17
Other retail	32	40
Total retail	94	130
Total net charge-offs	115	172
Provision for credit losses	115	172
Balance at end of period	\$2,251	\$2,269
Components		
Allowance for loan losses	\$2,035	\$2,082
Liability for unfunded credit commitments	216	187
Total allowance for credit losses	\$2,251	\$2,269
Allowance for credit losses as a percentage of		
Period-end loans	1.62%	1.76%
Nonperforming loans	432	404
Nonperforming assets	364	341
Annualized net charge-offs	483	325

Several factors were taken into consideration in evaluating the allowance for credit losses at March 31, 2006, including the risk profile of the portfolios and loan net charge-offs during the period, the level of nonperforming assets, accruing loans 90 days or more past due, delinquency ratios and changes in restructured loan balances compared with December 31, 2005. Management also considered the uncertainty related to certain industry sectors, including the airline industry, and the extent of credit exposure to other borrowers within the portfolio. In addition, concentration risks associated with commercial real estate and the mix of loans, including credit cards, loans originated through the consumer finance division and residential mortgages, and their relative credit risk were evaluated. Finally, the Company considered current economic conditions that might impact the portfolio.

Residual Risk Management The Company manages its risk to changes in the residual value of leased assets through disciplined residual valuation setting at the inception of a lease, diversification of its leased assets, regular residual asset valuation reviews and monitoring of residual value gains or losses upon the disposition of assets. As of March 31, 2006, no significant change in the amount of residuals or concentration of the portfolios has occurred since December 31, 2005. Refer to “Management’s Discussion and Analysis — Residual Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on residual risk management.

Operational Risk Management The Company manages operational risk through a risk management framework and its internal control processes. Within this framework, the Corporate Risk Committee (“Risk Committee”) provides oversight and assesses the most significant operational risks facing the Company within its business lines. Under the guidance of the Risk Committee, enterprise risk management personnel establish policies and interact with business lines to monitor significant operating risks on a regular basis. Business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities. Refer to “Management’s Discussion and Analysis — Operational Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on operational risk management.

Interest Rate Risk Management In the banking industry, changes in interest rates is a significant risk that can impact earnings, market valuations and safety and soundness of the entity. To minimize the volatility of net interest income and of the market value of assets and liabilities, the Company manages its exposure to changes in interest rates through asset and liability management activities within guidelines established by its Asset Liability Policy Committee (“ALPC”) and approved by the Board of Directors. ALPC has the responsibility for approving and ensuring compliance with ALPC management policies, including interest rate risk exposure. The Company uses Net Interest Income Simulation Analysis and Market Value of Equity Modeling for measuring and analyzing consolidated interest rate risk.

Net Interest Income Simulation Analysis One of the primary tools used to measure interest rate risk and the effect of interest rate changes on net interest income is simulation analysis. Through this simulation, management estimates the impact on net interest income of a 200 basis point upward or downward gradual change of market interest rates over a one-year period. This represents a change, effective in the first quarter of 2006, from a previous policy of estimating the effect of a 300 basis point upward or downward gradual change on net interest income. The simulation also estimates the effect of immediate and sustained parallel shifts in the yield curve of 50 basis points as well as the effect of immediate and sustained flattening or steepening of the yield curve.

Refer to “Management’s Discussion and Analysis — Net Interest Income Simulation Analysis” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on net interest income simulation analysis.

Sensitivity of Net Interest Income:

	March 31, 2006				December 31, 2005			
	Down 50 Immediate	Up 50 Immediate	Down 200 Gradual	Up 200 Gradual	Down 50 Immediate	Up 50 Immediate	Down 200 Gradual*	Up 200 Gradual*
Net interest income	.99%	(1.16)%	2.03%	(2.80)%	.66%	(.73)%	1.19%	(2.60)%

* As of January 31, 2006, due to the change to a 200 basis point gradual change policy during the first quarter of 2006.

The table above summarizes the interest rate risk of net interest income based on forecasts over the succeeding 12 months. At March 31, 2006, the Company's overall interest rate risk position was liability sensitive to changes in interest rates. The Company manages the overall interest rate risk profile within policy limits. ALPC policy guidelines limit the estimated change in net interest income to 3.0 percent of forecasted net interest income over the succeeding 12 months. At March 31, 2006, and December 31, 2005, the Company was within its policy guidelines.

Market Value of Equity Modeling The Company also utilizes the market value of equity as a measurement tool in managing interest rate sensitivity. The market value of equity measures the degree to which the market values of the Company's assets and liabilities and off-balance sheet instruments will change given a change in interest rates. ALPC guidelines limit the change in market value of equity in a 200 basis point parallel rate shock to 15 percent of the market value of equity assuming interest rates at March 31, 2006. The up 200 basis point scenario resulted in a 7.5 percent decrease in the market value of equity at March 31, 2006, compared with a 6.8 percent decrease at December 31, 2005. The down 200 basis point scenario resulted in a 1.8 percent decrease in the market value of equity at March 31, 2006, compared with a 4.1 percent decrease at December 31, 2005. At March 31, 2006, and December 31, 2005, the Company was within its policy guidelines.

The Company also uses duration of equity as a measure of interest rate risk. The duration of equity is a measure of the net market value sensitivity of the assets, liabilities and derivative positions of the Company. The duration of assets was 1.8 years at March 31, 2006, compared with 1.6 years at December 31, 2005. The duration of liabilities was 1.7 years at March 31, 2006, compared with 1.6 years at December 31, 2005. At March 31, 2006, the duration of equity was 2.4 years, compared with 1.8 years at December 31, 2005. The increased duration of equity measure shows that sensitivity of the market value of equity of the Company was liability sensitive to changes in interest rates. Refer to "Management's Discussion and Analysis — Market Value of Equity Modeling" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on market value of equity modeling.

Use of Derivatives to Manage Interest Rate Risk In the ordinary course of business, the Company enters into derivative transactions to manage its interest rate, prepayment and foreign currency risks ("asset and liability management positions") and to accommodate the business requirements of its customers ("customer-related positions"). Refer to "Management's Discussion and Analysis — Use of Derivatives to Manage Interest Rate Risk" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on the use of derivatives to manage interest rate risk.

By their nature, derivative instruments are subject to market risk. The Company does not utilize derivative instruments for speculative purposes. Of the Company's \$28.2 billion of total notional amount of asset and liability management derivative positions at March 31, 2006, \$21.1 billion was designated as either fair value or cash flow hedges or net investment hedges of foreign operations. The cash flow hedge derivative positions are interest rate swaps that hedge the forecasted cash flows from the underlying variable-rate LIBOR loans and floating-rate debt. The fair value hedges are primarily interest rate swaps that hedge the change in fair value related to interest rate changes of underlying fixed-rate debt and subordinated obligations.

In addition, the Company uses forward commitments to sell residential mortgage loans to hedge its interest rate risk related to residential mortgage loans held for sale. Related to its mortgage banking operations, the Company held \$1.8 billion of forward commitments to sell mortgage loans and \$1.7 billion of unfunded mortgage loan commitments that were derivatives in accordance with the provisions of the Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedge Activities." The unfunded mortgage loan commitments are reported at fair value as options in Table 9. Beginning in March 2006, the Company entered into U.S. Treasury futures and options on U.S. Treasury futures contracts to hedge the change in fair value related to the election of fair value measurement for its residential MSRs.

At March 31, 2006, the Company had \$47 million in accumulated other comprehensive income related to

Table 9 Derivative Positions

	March 31, 2006			December 31, 2005		
	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Amount	Fair Value	Weighted-Average Remaining Maturity In Years
(Dollars in Millions)						
Asset and Liability Management Positions						
Interest rate contracts						
Receive fixed/pay floating swaps	\$11,585	\$(123)	9.76	\$16,370	\$(82)	7.79
Pay fixed/receive floating swaps	7,196	116	1.58	9,163	139	1.33
Futures and forwards						
Buy	102	—	.10	104	—	.07
Sell	5,331	20	.15	2,669	(15)	.09
Options						
Written	3,586	(11)	.15	1,086	3	.08
Foreign exchange contracts						
Cross-currency swaps	385	5	9.36	387	11	9.61
Forwards	6	—	.06	404	7	.05
Equity contracts	46	—	3.04	42	3	3.29
Customer-related Positions						
Interest rate contracts						
Receive fixed/pay floating swaps	\$9,966	\$(191)	5.25	\$9,753	\$(69)	5.25
Pay fixed/receive floating swaps	9,940	243	5.25	9,707	121	5.25
Options						
Purchased	1,420	10	2.25	1,453	6	2.26
Written	1,405	(9)	2.33	1,453	(5)	2.26
Risk participation agreements (a)						
Purchased	148	—	7.72	143	—	8.02
Written	205	—	6.25	169	—	4.64
Foreign exchange rate contracts						
Forwards and swaps						
Buy	2,149	56	.38	2,042	77	.43
Sell	2,091	(46)	.40	2,018	(73)	.46
Options						
Purchased	90	(1)	.35	56	1	.24
Written	90	1	.35	56	(1)	.24

(a) At March 31, 2006, the credit equivalent amount was \$1 million and \$30 million, compared with \$1 million and \$18 million at December 31, 2005, for purchased and written risk participation agreements, respectively.

realized and unrealized losses on derivatives classified as cash flow hedges. Unrealized gains and losses are reflected in earnings when the related cash flows or hedged transactions occur and offset the related performance of the hedged items. The estimated amount to be reclassified from accumulated other comprehensive income into earnings during the remainder of 2006 and the next 12 months is a gain of \$2 million and \$1 million, respectively.

Gains or losses on customer-related derivative positions were not material for the first quarter of 2006. The change in fair value of forward commitments attributed to hedge ineffectiveness recorded in noninterest income was a decrease of \$1 million for the first quarter of 2006. The change in the fair value of all other asset and liability management derivative positions attributed to hedge ineffectiveness recorded in noninterest income was not material for the first quarter of 2006.

The Company enters into derivatives to protect its net investment in certain foreign operations. The Company uses forward commitments to sell specified amounts of certain foreign currencies to hedge its capital volatility risk associated with fluctuations in foreign currency exchange rates. The net amount of gains or losses included in the cumulative translation adjustment for the first quarter of 2006 was not material.

Market Risk Management In addition to interest rate risk, the Company is exposed to other forms of market

risk as a consequence of conducting normal trading activities. Business activities that contribute to market risk include primarily residential mortgage related risks, but also other things, such as proprietary trading and foreign exchange positions. Value at Risk (“VaR”) is a key measure of market risk for the Company. Theoretically, VaR represents the maximum amount that the Company has placed at risk of loss, with a ninety-ninth percentile degree of confidence, to adverse market movements in the course of its risk taking activities. Due to the election of fair value measurement of its residential MSRs and related hedging strategy in the first quarter of 2006, the Company increased its VaR limit to \$40 million at March 31, 2006, compared with \$20 million at December 31, 2005. The Company’s market valuation risk, as estimated by the VaR analysis, was \$17 million at March 31, 2006, compared with \$1 million at December 31, 2005. Refer to “Management’s Discussion and Analysis — Market Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on market risk management.

Liquidity Risk Management ALPC establishes policies, as well as analyzes and manages liquidity, to ensure that adequate funds are available to meet normal operating requirements in addition to unexpected customer demands for funds, such as high levels of deposit withdrawals or loan demand, in a timely and cost-effective manner. Liquidity management is viewed from long-term and short-term perspectives, as well as from an asset and liability perspective. Management monitors liquidity through a regular review of maturity profiles, funding sources, and loan and deposit forecasts to minimize funding risk. Refer to “Management’s Discussion and Analysis — Liquidity Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on liquidity risk management.

The Company’s ability to raise negotiated funding at competitive prices is influenced by rating agencies’ views of the Company’s credit quality, liquidity, capital and earnings. On January 27, 2006, Standard & Poor’s Ratings Services upgraded the Company’s senior, unsecured subordinated and short-term debt ratings to AA-, A+ and A-1+, respectively, from A+, A and A-1, respectively. At January 27, 2006, the credit ratings outlook for the Company was considered “Stable” by Moody’s Investors Service, Standard & Poor’s, Fitch Ratings and Dominion Bond Rating Services.

At March 31, 2006, parent company long-term debt outstanding was \$11.4 billion, compared with \$10.9 billion at December 31, 2005. The \$.5 billion increase was primarily due to the \$1.3 billion issuance of junior subordinated debentures, offset by long-term debt maturities and repayments during the first three months of 2006. As of March 31, 2006, there is no parent company debt scheduled to mature in the remainder of 2006.

Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. The amount of dividends available to the parent company from its banking subsidiaries after meeting the regulatory capital requirements for well-capitalized banks was approximately \$1.2 billion at March 31, 2006.

Off-Balance Sheet Arrangements Off-balance sheet arrangements include any contractual arrangement to which an unconsolidated entity is a party, under which the Company has an obligation to provide credit or liquidity enhancements or market risk support. Off-balance sheet arrangements include certain defined guarantees, asset securitization trusts and conduits. Off-balance sheet arrangements also include any obligation under a variable interest held by an unconsolidated entity that provides financing, liquidity, credit enhancement or market risk support.

In the ordinary course of business, the Company enters into an array of commitments to extend credit, letters of credit and various forms of guarantees that may be considered off-balance sheet arrangements. The extent of these arrangements is provided in Note 12 of the Notes to Consolidated Financial Statements.

Asset securitizations and conduits represent a source of funding for the Company through off-balance sheet structures. The Company sponsors an off-balance sheet conduit to which it transferred high-grade investment securities, funded by the issuance of commercial paper. The conduit held assets and related commercial paper liabilities of \$3.5 billion at March 31, 2006, and \$3.8 billion at December 31, 2005. The Company provides a liquidity facility to the conduit. A liability for the estimate of the potential risk of loss the Company has as the liquidity facility provider is recorded on the balance sheet in other liabilities and was \$17 million at March 31, 2006, and \$20 million at December 31, 2005. In addition, the Company recorded at fair value its retained residual interest in the investment securities conduit of \$22 million at March 31, 2006, and \$28 million at December 31, 2005.

The Company does not rely significantly on off-balance sheet arrangements for liquidity or capital resources. Refer to “Management’s Discussion and Analysis — Off-Balance Sheet Arrangements” in the Company’s Annual Report on Form 10-K for the year

Table 10 Capital Ratios

(Dollars in Millions)	March 31, 2006	December 31, 2005
Tier 1 capital	\$16,478	\$15,145
As a percent of risk-weighted assets	8.9%	8.2%
As a percent of adjusted quarterly average assets (leverage ratio)	8.2%	7.6%
Total risk-based capital	\$24,328	\$23,056
As a percent of risk-weighted assets	13.1%	12.5%
Tangible common equity	\$10,955	\$11,873
As a percent of tangible assets	5.4%	5.9%

ended December 31, 2005, for further discussion on off-balance sheet arrangements.

Capital Management The Company is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. The Company has targeted returning 80 percent of earnings to its common shareholders through a combination of dividends and share repurchases. In the first quarter of 2006, the Company returned 158 percent of earnings. The Company continually assesses its business risks and capital position. The Company also manages its capital to exceed regulatory capital requirements for well-capitalized bank holding companies. To achieve these capital goals, the Company employs a variety of capital management tools including dividends, common share repurchases, and the issuance of subordinated debt and other capital instruments. Total shareholders' equity was \$20.3 billion at March 31, 2006, compared with \$20.1 billion at December 31, 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, partially offset by share repurchases and dividends.

Table 10 provides a summary of capital ratios as of March 31, 2006, and December 31, 2005. Tier 1 capital at March 31, 2006, was positively affected by the \$1.0 billion issuance of preferred stock and the \$1.3 billion issuance of junior subordinated debentures during the first quarter of 2006. All regulatory ratios continue to be in excess of regulatory "well-capitalized" requirements.

On December 21, 2004, the Board of Directors approved an authorization to repurchase 150 million shares of common stock during the next 24 months.

The following table provides a detailed analysis of all shares repurchased under this authorization during the first quarter of 2006:

Time Period	Number of Shares Purchased	Average Price Paid Per Share	Remaining Shares Available to be Purchased
January	9,914,275	\$29.61	73,570,945
February	17,755,778	30.12	55,815,167
March	13,278,203	30.95	42,536,964
Total	40,948,256	\$30.27	42,536,964

LINE OF BUSINESS FINANCIAL REVIEW

Within the Company, financial performance is measured by major lines of business, which include Wholesale Banking, Consumer Banking, Private Client, Trust and Asset 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.

Basis for Financial Presentation Business line results are derived from the Company's business unit profitability reporting systems by specifically attributing managed balance sheet assets, deposits and other liabilities and their related income or expense. Refer to "Management's Discussion and Analysis — Line of Business Financial Review" in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, for further discussion on the business lines' basis for financial presentation.

Designations, assignments and allocations change from time to time as management systems are enhanced, methods of evaluating performance or product lines change or business segments are realigned to better respond to our diverse customer base. During 2006, certain organization and methodology changes were

made and, accordingly, 2005 results were restated and presented on a comparable basis, including a change in the allocation of risk adjusted capital to the business lines. Business lines are allocated risk adjusted capital based upon economic capital requirements, regulatory capital requirements, goodwill and intangibles. The allocations to the business lines are equal to the capital that is held by the Company. The capital allocations include credit and operational capital allocations which are performed using a Basel II approach with adjustments for regulatory Tier I leverage requirements.

Wholesale Banking offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients. Wholesale Banking contributed \$279 million of the Company's net income in the first quarter of 2006, or an increase of \$26 million, compared with the first quarter of 2005. The increase was primarily driven by growth in total net revenue and a reduction in the provision for credit losses.

Total net revenue increased \$24 million (4.0 percent) in the first quarter of 2006, compared with the first quarter of 2005. Net interest income, on a taxable-equivalent basis, increased \$23 million (5.9 percent) in the first quarter of 2006, compared with the first quarter of 2005. The increase in net interest income was driven by growth in average loan balances and wider spreads on total deposits due to the funding benefit associated with the impact of rising interest rates, partially offset by reduced loan spreads due to competitive pricing. The increase in average loans was driven by stronger commercial loan demand in 2005 and the first three months of 2006. Total deposits increased year-over-year driven by growth in fixed-rate time deposits, partially offset by a decrease in interest checking deposits.

Noninterest expense was flat in the first quarter of 2006, compared with the first quarter of 2005, as increases in personnel expenses and net shared services were offset by a reduction in other loan expense.

The provision for credit losses decreased \$17 million in the first quarter of 2006, compared with the first quarter of 2005. The favorable change in the provision for credit losses was due to improving credit quality resulting in net recoveries of \$14 million in the first quarter of 2006, compared with net charge-offs of \$3 million in the first quarter of 2005. Nonperforming assets within Wholesale Banking were \$234 million at March 31, 2006, \$242 million at December 31, 2005, and \$330 million at March 31, 2005. Nonperforming assets as a percentage of period-end loans were .51 percent at March 31, 2006, .54 percent at December 31, 2005, and .76 percent at March 31, 2005. Refer to the "Corporate Risk Profile" section for further information on factors impacting the credit quality of the loan portfolios.

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, including lending guaranteed by the Small Business Administration, small-ticket leasing, consumer lending, mortgage banking, consumer finance, workplace banking, student banking, 24-hour banking and investment product and insurance sales. Consumer Banking contributed \$448 million of the Company's net income in the first quarter of 2006, an increase of \$34 million, compared with the first quarter of 2005. While the retail banking business grew net income 9.8 percent in the first quarter of 2006, the contribution of the mortgage banking business decreased 15.4 percent, compared with the first quarter of 2005.

Total net revenue increased \$15 million (1.0 percent) in the first quarter of 2006, compared with the first quarter of 2005. Net interest income, on a taxable-equivalent basis, increased \$41 million in the first quarter of 2006, compared with the first quarter of 2005. The year-over-year increase in net interest income was due to strong growth in average loans and the funding benefit of total deposits due to rising interest rates. Partially offsetting these increases were reduced spreads on commercial and retail loans due to competitive pricing. The increase in average loan balances reflected growth in retail loans, residential mortgages, commercial loans and commercial real estate loans. The growth in retail loans was principally driven by an increase in installment loans which increased 15.2 percent in the first quarter of 2006 over the first quarter of 2005. Residential mortgages, which include traditional residential mortgages, grew 33.1 percent in the first quarter of 2006, compared with the same period of a year ago, reflecting the Company's decision to retain adjustable-rate residential mortgages during 2005. The year-over-year decrease in average deposits was primarily due to reduction in saving products, offset by growth in interest checking and time deposits. The year-over-year increase in interest checking balances reflects strong branch-based new account deposit growth. On a combined basis, the Consumer Banking line of business generated growth of \$617 million (2.1 percent) in average checking account balances in the first quarter of 2006, compared with the first quarter of 2005, driven by 5.9 percent growth in net new checking accounts. Offsetting this growth was a decline in average savings balances of \$3.1 billion (12.2 percent) from first quarter of 2005, principally related to money market accounts. Average time deposit

Table 11 Line of Business Financial Performance

Three Months Ended March 31 (Dollars in Millions)	Wholesale Banking			Consumer Banking		
	2006	2005	Percent Change	2006	2005	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	\$415	\$392	5.9%	\$1,012	\$971	4.2%
Noninterest income	209	212	(1.4)	442	468	(5.6)
Securities losses, net	—	(4)	*	—	—	—
Total net revenue	624	600	4.0	1,454	1,439	1.0
Noninterest expense	195	195	—	667	645	3.4
Other intangibles	4	4	—	13	63	(79.4)
Total noninterest expense	199	199	—	680	708	(4.0)
Income before provision and income taxes	425	401	6.0	774	731	5.9
Provision for credit losses	(14)	3	*	69	80	(13.8)
Income before income taxes	439	398	10.3	705	651	8.3
Income taxes and taxable-equivalent adjustment	160	145	10.3	257	237	8.4
Net income	\$279	\$253	10.3	\$448	\$414	8.2
Average Balance Sheet Data						
Commercial	\$29,568	\$27,844	6.2%	\$9,065	\$8,213	10.4%
Commercial real estate	16,016	15,435	3.8	11,870	11,336	4.7
Residential mortgages	63	62	1.6	20,476	15,389	33.1
Retail	43	46	(6.5)	35,038	33,142	5.7
Total loans	45,690	43,387	5.3	76,449	68,080	12.3
Goodwill	1,225	1,225	—	2,243	2,243	—
Other intangible assets	59	76	(22.4)	1,329	1,116	19.1
Assets	51,709	49,309	4.9	84,575	75,776	11.6
Noninterest-bearing deposits	11,983	11,937	.4	12,885	12,915	(.2)
Interest checking	3,106	3,602	(13.8)	17,666	17,019	3.8
Savings products	5,276	5,223	1.0	22,382	25,501	(12.2)
Time deposits	12,002	11,046	8.7	18,217	16,482	10.5
Total deposits	32,367	31,808	1.8	71,150	71,917	(1.1)
Shareholders' equity	4,922	4,815	2.2	6,819	6,827	(.1)

* not meaningful

balances grew \$1.7 billion in the first quarter of 2006, compared with the first quarter of 2005, as a portion of money market balances migrated to fixed-rate time deposit products.

Fee-based noninterest income decreased \$26 million in the first quarter of 2006, compared with the first quarter of 2005. The year-over-year decline in fee-based revenue was driven by a reduction in mortgage banking revenue, partially offset by increases in deposit service charges, retail leasing revenue, and other revenue. The increase in other revenue reflected higher gains from the sales of student loans. The reduction in mortgage banking revenue reflected the adoption of fair value accounting for mortgage servicing rights as of January 1, 2006, and lower mortgage loan production due to rising interest rates.

Noninterest expense decreased \$28 million (4.0 percent) in the first quarter of 2006, compared with the first quarter of 2005. The decrease was primarily attributable to the elimination of MSR amortization under SFAS 156 which resulted in a reduction of other intangible expense. Partially offsetting this decrease were increases in compensation and employee benefit expenses, and net shared services. The increases in compensation and employee benefit expenses reflect the impact of the net addition of 40 in-store and 13 traditional branches at March 31, 2006, compared with March 31, 2005.

The provision for credit losses decreased \$11 million in the first quarter of 2006, compared with the first quarter of 2005. The improvement was attributable to lower net charge-offs. As a percentage of average loans outstanding, net charge-offs declined to .37 percent in the first quarter of 2006, compared with .48 percent in the first quarter of 2005. The decline in net charge-offs includes both the commercial and retail loan portfolios. Commercial and commercial real estate loan net charge-offs declined \$3 million in the first quarter of 2006, compared with the first quarter of 2005. Retail loan and residential mortgage net charge-offs declined by \$8 million in the first quarter of 2006, compared with the first quarter of 2005. Nonperforming assets within Consumer Banking were \$317 million at March 31, 2006, \$341 million at December 31, 2005, and \$326 million at March 31, 2005. Nonperforming assets as a percentage of period-end loans were .44 percent at March 31, 2006, .47 percent at December 31, 2005, and .50 percent at March 31, 2005. Refer to the "Corporate Risk Profile" section for further information on factors impacting the credit quality of the loan portfolios.

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Private Client, Trust and Asset Management			Payment Services			Treasury and Corporate Support			Consolidated Company		
2006	2005	Percent Change	2006	2005	Percent Change	2006	2005	Percent Change	2006	2005	Percent Change
\$124	\$99	25.3%	\$162	\$146	11.0%	\$12	\$143	(91.6)%	\$1,725	\$1,751	(1.5)%
307	253	21.3	590	486	21.4	66	22	*	1,614	1,441	12.0
—	—	—	—	—	—	—	(55)	*	—	(59)	*
431	352	22.4	752	632	19.0	78	110	(29.1)	3,339	3,133	6.6
199	165	20.6	291	237	22.8	63	18	*	1,415	1,260	12.3
22	15	46.7	46	41	12.2	—	(52)	*	85	71	19.7
221	180	22.8	337	278	21.2	63	(34)	*	1,500	1,331	12.7
210	172	22.1	415	354	17.2	15	144	(89.6)	1,839	1,802	2.1
—	—	—	60	89	(32.6)	—	—	—	115	172	(33.1)
210	172	22.1	355	265	34.0	15	144	(89.6)	1,724	1,630	5.8
76	63	20.6	129	96	34.4	(51)	18	*	571	559	2.1
\$134	\$109	22.9	\$226	\$169	33.7	\$66	\$126	(47.6)	\$1,153	\$1,071	7.7
\$1,503	\$1,585	(5.2)%	\$3,639	\$3,210	13.4%	\$150	\$145	3.4%	\$43,925	\$40,997	7.1%
665	636	4.6	—	—	—	65	97	(33.0)	28,616	27,504	4.0
443	366	21.0	—	—	—	5	10	(50.0)	20,987	15,827	32.6
2,403	2,276	5.6	8,321	7,813	6.5	46	49	(6.1)	45,851	43,326	5.8
5,014	4,863	3.1	11,960	11,023	8.5	266	301	(11.6)	139,379	127,654	9.2
1,343	843	59.3	2,286	1,942	17.7	—	(1)	*	7,097	6,252	13.5
495	331	49.5	1,056	907	16.4	—	12	*	2,939	2,442	20.4
7,459	6,650	12.2	16,598	14,499	14.5	49,684	50,701	(2.0)	210,025	196,935	6.6
3,527	3,369	4.7	293	141	*	149	55	*	28,837	28,417	1.5
2,368	2,516	(5.9)	—	—	—	1	9	(88.9)	23,141	23,146	—
5,368	5,479	(2.0)	18	14	28.6	23	15	53.3	33,067	36,232	(8.7)
2,070	967	*	3	—	*	2,826	3,133	(9.8)	35,118	31,628	11.0
13,333	12,331	8.1	314	155	*	2,999	3,212	(6.6)	120,163	119,423	.6
2,309	1,639	40.9	4,358	3,864	12.8	1,740	2,658	(34.5)	20,148	19,803	1.7

Private Client, Trust and Asset Management provides trust, custody, private banking, financial advisory, investment management and mutual fund servicing through five businesses: Private Client Group, Corporate Trust, FAF Advisors, Institutional Trust and Custody and Fund Services. Private Client, Trust and Asset Management contributed \$134 million of the Company's net income in the first quarter of 2006, or an increase of \$25 million, compared with the first quarter of 2005. The growth was primarily attributable to higher total net revenue, partially offset by an increase in noninterest expense.

Total net revenue increased \$79 million (22.4 percent) in the first quarter of 2006, compared with the first quarter of 2005. Net interest income, on a taxable-equivalent basis, increased \$25 million in the first quarter of 2006, compared with the first quarter of 2005. The increase in net interest income was due to growth in total average deposits and the favorable impact of rising interest rates on the funding benefit of customer deposits, partially offset by a decline in loan spreads. The increase in total deposits was attributable to growth in noninterest-bearing deposits and time deposits principally in Corporate Trust. Noninterest income increased \$54 million in the first quarter of 2006, compared with the first quarter of 2005, primarily driven by the acquisition of the corporate and institutional trust business of Wachovia Corporation, growth in core revenue, and favorable equity market valuations.

Noninterest expense increased \$41 million (22.8 percent) in the first quarter of 2006, compared with the first quarter of 2005. The increase in noninterest expense was primarily attributable to the acquisition of the Wachovia Corporation corporate and institutional trust business.

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 \$226 million of the Company's net income in the first quarter of 2006, or an increase of \$57 million, compared with the first quarter of 2005. The increase was due to growth in total net revenue driven by higher transaction volumes and lower provision for credit losses, partially offset by an increase in total noninterest expense.

Total net revenue increased \$120 million (19.0 percent) in the first quarter of 2006, compared with the first quarter of 2005. Net interest income increased \$16 million in the first quarter of 2006, compared with the first quarter of 2005. The increase

was primarily due to increases in retail credit card balances and customer late fees, partially offset by an increase in nonearning assets resulting in higher funding expense. Noninterest income increased \$104 million in the first quarter of 2006, compared with the first quarter of 2005. The increases in fee-based revenue were driven by strong growth in credit card and debit card revenue, corporate payment products revenue, ATM processing services revenue and merchant processing revenue. Credit and debit card revenue increased due to higher sales volume. Corporate payment products revenue increased due to growth in transactional sales volume and the acquisition of an aviation card business in the first quarter of 2005. ATM processing services revenue increased primarily due to the acquisition of an ATM business in May of 2005. Merchant processing revenue also grew from a year ago due to higher sales and transaction processing volumes and the acquisitions of merchant acquiring businesses during the end of 2005 and in the first quarter of 2006.

Noninterest expense increased \$59 million (21.2 percent) in the first quarter of 2006, compared with the first quarter of 2005. The increase in noninterest expense was primarily attributable to the acquisition of merchant acquiring businesses, higher compensation and employee benefit costs for processing associated with increased credit and debit card transaction volumes, higher corporate payment products and merchant processing sales volumes, and higher ATM processing services volumes.

The provision for credit losses decreased \$29 million in the first quarter of 2006, compared with the first quarter of 2005, due to lower net charge-offs. As a percentage of average loans outstanding, net charge-offs were 2.03 percent in the first quarter of 2006, compared with 3.27 percent in the first quarter of 2005. The favorable change in credit losses reflected the near-term impact of changes in bankruptcy legislation in the fourth quarter of 2005.

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 MSR valuations due to interest rate changes were managed at a corporate level and, as such, reported within this business unit. Treasury and Corporate Support recorded net income of \$66 million in the first quarter of 2006, or a decrease of \$60 million, compared with the first quarter of 2005.

Total net revenue decreased \$32 million (29.1 percent) in the first quarter of 2006, compared with the first quarter of 2005. The year-over-year decrease in total net revenue was primarily due to an unfavorable variance in net interest income, partially offset by higher noninterest income. The decrease in net interest income was primarily attributable to a higher interest rate environment and the Company's asset/liability management decisions, including issuing higher-cost wholesale funding and repositioning of the Company's balance sheet for changes in that interest rate environment. Noninterest income increased \$99 million in the first quarter of 2006, compared with the first quarter of 2005. The increase was primarily due to a gain on derivatives that did not qualify as hedges, realized in the first quarter of 2006 and securities losses incurred in the first quarter of 2005.

Noninterest expense increased \$97 million in the first quarter of 2006, compared with the first quarter of 2005. The increase in noninterest expense was driven by higher compensation and employee benefits related to incentives and the adoption of SFAS 123R. The increase in noninterest expense also reflected MSR reparation recognized in the first quarter of 2005.

The provision for credit losses for this business unit represents the residual aggregate of the net credit losses allocated to the reportable business units and the Company's recorded provision determined in accordance with accounting principles generally accepted in the United States. Refer to the "Corporate Risk Profile" section for further information on the provision for credit losses, nonperforming assets and factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Income taxes are assessed to each line of business at a managerial tax rate of 36.4 percent with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support. The \$69 million favorable change in income tax expense reflected a consolidated effective tax rate of 32.7 percent in the first quarter of 2006, compared with 34.0 percent in the first quarter of 2005. The decrease in the effective tax rate primarily reflected higher tax exempt income from investment securities and insurance products and incremental tax credits generated from investments in affordable housing and similar tax-advantaged projects.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company comply with accounting principles generally accepted in the United States and conform to general

practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding the Company's financial statements. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Those policies considered to be critical accounting policies relate to the allowance for credit losses, MSRs, goodwill and other intangibles and income taxes. Management has discussed the development and the selection of critical accounting policies with the Company's Audit Committee. These accounting policies are discussed in detail in "Management's Discussion and Analysis — Critical Accounting Policies" and the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. Refer to Note 2 of the Notes to Consolidated Financial Statements for discussion of the change in accounting for MSRs implemented in the first quarter of 2006.

CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon this evaluation, the principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

During the most recently completed fiscal quarter, there was no change made in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

U.S. Bancorp

Consolidated Balance Sheet

(Dollars in Millions)	March 31, 2006	December 31, 2005
	(Unaudited)	
Assets		
Cash and due from banks	\$7,050	\$8,004
Investment securities		
Held-to-maturity (fair value \$113 and \$113, respectively)	110	109
Available-for-sale	39,286	39,659
Loans held for sale	2,053	1,686
Loans		
Commercial	43,844	42,942
Commercial real estate	28,782	28,463
Residential mortgages	20,656	20,730
Retail	45,500	45,671
Total loans	138,782	137,806
Less allowance for loan losses	(2,035)	(2,041)
Net loans	136,747	135,765
Premises and equipment	1,817	1,841
Goodwill	7,267	7,005
Other intangible assets	3,128	2,874
Other assets	12,449	12,522
Total assets	<u>\$209,907</u>	<u>\$209,465</u>
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$29,384	\$32,214
Interest-bearing	69,995	70,024
Time deposits greater than \$100,000	22,365	22,471
Total deposits	121,744	124,709
Short-term borrowings	20,651	20,200
Long-term debt	39,327	37,069
Other liabilities	7,929	7,401
Total liabilities	189,651	189,379
Shareholders' equity		
Preferred stock, par value \$1.00 a share (liquidation preference of \$25,000 per share) authorized: 50,000,000 shares; issued: 3/31/06 — 40,000 shares	1,000	—
Common stock, par value \$0.01 a share — authorized: 4,000,000,000 shares; issued: 3/31/06 and 12/31/05 — 1,972,643,007 shares	20	20
Capital surplus	5,819	5,907
Retained earnings	19,568	19,001
Less cost of common stock in treasury: 3/31/06 — 189,447,066 shares; 12/31/05 — 157,689,004 shares	(5,394)	(4,413)
Other comprehensive income	(757)	(429)
Total shareholders' equity	<u>20,256</u>	<u>20,086</u>
Total liabilities and shareholders' equity	<u>\$209,907</u>	<u>\$209,465</u>

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Income

(Dollars and Shares in Millions, Except Per Share Data) (Unaudited)	Three Months Ended March 31,	
	2006	2005
Interest Income		
Loans	\$2,332	\$1,911
Loans held for sale	26	21
Investment securities	490	476
Other interest income	43	27
Total interest income	2,891	2,435
Interest Expense		
Deposits	503	308
Short-term borrowings	270	112
Long-term debt	403	271
Total interest expense	1,176	691
Net interest income	1,715	1,744
Provision for credit losses	115	172
Net interest income after provision for credit losses	1,600	1,572
Noninterest Income		
Credit and debit card revenue	182	154
Corporate payment products revenue	127	107
ATM processing services	59	47
Merchant processing services	213	178
Trust and investment management fees	297	247
Deposit service charges	232	210
Treasury management fees	107	107
Commercial products revenue	104	96
Mortgage banking revenue	24	102
Investment products fees and commissions	38	39
Securities losses, net	—	(59)
Other	231	154
Total noninterest income	1,614	1,382
Noninterest Expense		
Compensation	633	567
Employee benefits	133	116
Net occupancy and equipment	165	154
Professional services	35	36
Marketing and business development	40	43
Technology and communications	117	106
Postage, printing and supplies	66	63
Other intangibles	85	71
Other	226	175
Total noninterest expense	1,500	1,331
Income before income taxes	1,714	1,623
Applicable income taxes	561	552
Net income	\$1,153	\$1,071
Earnings per common share	\$.64	\$.58
Diluted earnings per common share	\$.63	\$.57
Dividends declared per common share	\$.33	\$.30
Average common shares outstanding	1,801	1,852
Average diluted common shares outstanding	1,826	1,880

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Shareholders' Equity

(Dollars and Shares in Millions) (Unaudited)	Common Shares Outstanding	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other Comprehensive Income	Total Shareholders' Equity
Balance December 31, 2004	1,858	\$—	\$20	\$5,902	\$16,758	\$(3,125)	\$(16)	\$19,539
Net income					1,071			1,071
Unrealized loss on securities available for sale							(541)	(541)
Unrealized loss on derivatives							(98)	(98)
Foreign currency translation adjustment							5	5
Realized gain on derivatives							1	1
Reclassification adjustment for losses realized in net income							35	35
Income taxes							227	227
Total comprehensive income								700
Cash dividends declared on common stock					(553)			(553)
Issuance of common and treasury stock	5			(36)		142		106
Purchase of treasury stock	(21)					(605)		(605)
Stock option and restricted stock grants				22				22
Shares reserved to meet deferred compensation obligations				1		(2)		(1)
Balance March 31, 2005	1,842	\$—	\$20	\$5,889	\$17,276	\$(3,590)	\$(387)	\$19,208
Balance December 31, 2005	1,815	\$—	\$20	\$5,907	\$19,001	\$(4,413)	\$(429)	\$20,086
Change in accounting principle					4			4
Net income					1,153			1,153
Unrealized loss on securities available for sale							(481)	(481)
Unrealized gain on derivatives							104	104
Foreign currency translation adjustment							9	9
Realized loss on derivatives							(153)	(153)
Reclassification adjustment for gains realized in net income							(7)	(7)
Income taxes							200	200
Total comprehensive income								825
Cash dividends declared on common stock					(590)			(590)
Issuance of common and treasury stock	9			(51)		261		210
Purchase of treasury stock	(41)					(1,240)		(1,240)
Stock option and restricted stock grants				15				15
Shares reserved to meet deferred compensation obligations						(2)		(2)
Issuance of preferred stock		1,000		(52)				948
Balance March 31, 2006	1,783	\$1,000	\$20	\$5,819	\$19,568	\$(5,394)	\$(757)	\$20,256

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Cash Flows

	Three Months Ended March 31,	
(Dollars in Millions)	2006	2005
(Unaudited)		
Operating Activities		
Net cash provided by operating activities	\$1,746	\$871
Investing Activities		
Proceeds from sales of available-for-sale investment securities	188	2,824
Proceeds from maturities of investment securities	1,216	2,497
Purchases of investment securities	(1,866)	(6,596)
Net (increase) decrease in loans outstanding	(835)	(1,869)
Proceeds from sales of loans	688	351
Purchases of loans	(921)	(1,033)
Other, net	(500)	(156)
Net cash used in investing activities	(2,030)	(3,982)
Financing Activities		
Net increase (decrease) in deposits	(2,965)	(1,023)
Net increase (decrease) in short-term borrowings	451	1,189
Principal payments or redemption of long-term debt	(1,621)	(2,028)
Proceeds from issuance of long-term debt	4,046	5,544
Proceeds from issuance of preferred stock	948	—
Proceeds from issuance of common stock	169	90
Repurchase of common stock	(1,149)	(638)
Cash dividends paid	(599)	(558)
Net cash provided by (used in) financing activities	(720)	2,576
Change in cash and cash equivalents	(1,004)	(535)
Cash and cash equivalents at beginning of period	8,202	6,537
Cash and cash equivalents at end of period	\$7,198	\$6,002

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States. In the opinion of management of U.S. Bancorp (the “Company”), all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. For further information, refer to the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Accounting policies for the lines of business are generally the same as those used in preparation of the consolidated financial statements with respect to activities specifically attributable to each business line. However, the preparation of business line results requires management to establish methodologies to allocate funding costs and benefits, expenses and other financial elements to each line of business. Table 11 “Line of Business Financial Performance” provides details of segment results. This information is incorporated by reference into these Notes to Consolidated Financial Statements.

Note 2 Accounting Changes

Accounting for Servicing of Financial Assets In March 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 156, “Accounting for Servicing of Financial Assets” (“SFAS 156”), that amends accounting and reporting standards for servicing assets and liabilities under Statement of Financial Accounting Standards No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” (“SFAS 140”). Specifically, SFAS 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. For subsequent measurement purposes, SFAS 156 permits an entity to choose to measure servicing assets and liabilities either based on fair value or lower of cost or market (“LOCOM”). The Company elected to adopt SFAS 156 effective January 1, 2006, utilizing the fair value measurement option for residential mortgage servicing rights and continuing the LOCOM method for all other servicing assets and liabilities. Adopting the fair value measurement method resulted in the Company recording a cumulative-effect accounting adjustment to increase beginning retained earnings by \$4 million (net of tax). Approximately \$3 million represents the difference between the fair value and the carrying amount of the Company’s mortgage servicing rights as of January 1, 2006, and the additional \$1 million represents the reclassification of unrealized gains in accumulated other comprehensive income at adoption, for certain available-for-sale securities reclassified to trading securities upon the adoption of the provisions of this statement. Additional information regarding mortgage servicing rights is disclosed in Note 5 in the Notes to Consolidated Financial Statements.

Other-Than-Temporary Impairment In November 2005, the FASB issued FASB Staff Position FAS 115-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments” (“FSP 115-1”), effective for the Company beginning on January 1, 2006. FSP 115-1 provides clarification on when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. FSP 115-1 also requires certain disclosures for unrealized losses that have not been recognized as other-than-temporary impairments. The adoption of FSP 115-1 did not have a material impact on the Company’s financial statements.

Stock-Based Compensation In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS 123R”), “Share-Based Payment”, a revision of Statement of Financial Accounting Standards No. 123 (“SFAS 123”), “Accounting for Stock-Based Compensation.” SFAS 123R requires companies to measure the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award. This statement eliminates the use of the alternative intrinsic value method of accounting that was allowed when SFAS 123 was originally issued. The provisions of this statement were effective for the Company

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beginning on January 1, 2006. The Company adopted SFAS 123R using the modified retrospective method. Because the Company retroactively adopted the fair value method in 2003, the impact of expensing stock-based awards was already recorded in the Company's financial results. In conjunction with the adoption of SFAS 123R in the first quarter of 2006, the Company recognized \$13 million of incremental stock-based compensation expense due to certain provisions that require immediate recognition of the value of stock awards to employees that meet retirement status, despite their continued active employment. Upon adoption, the Company also changed its method of expensing all new awards from an accelerated to a straight-line attribution method. Because of the timing of granting stock awards, the impact of this change was not significant to first quarter results. However, this methodology change for expensing stock awards is expected to reduce expenses in 2006 by approximately \$33 million (\$20 million after tax).

Note 3 Investment Securities

The detail of the amortized cost, gross unrealized holding gains and losses, and fair value of held-to-maturity and available-for-sale securities was as follows:

(Dollars in Millions)	March 31, 2006				December 31, 2005			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity (a)								
Mortgage-backed securities	\$8	\$—	\$—	\$8	\$8	\$—	\$—	\$8
Obligations of state and political subdivisions	86	4	(1)	89	84	5	(1)	88
Other debt securities	16	—	—	16	17	—	—	17
Total held-to-maturity securities	\$110	\$4	\$(1)	\$113	\$109	\$5	\$(1)	\$113
Available-for-sale (b)								
U.S. Treasury and agencies	\$490	\$1	\$(11)	\$480	\$496	\$2	\$(9)	\$489
Mortgage-backed securities	37,082	67	(1,182)	35,967	38,161	86	(733)	37,514
Asset-backed securities	9	—	—	9	12	—	—	12
Obligations of state and political subdivisions	1,781	2	(16)	1,767	640	3	(6)	637
Other securities and investments	1,062	7	(6)	1,063	1,012	2	(7)	1,007
Total available-for-sale securities	\$40,424	\$77	\$(1,215)	\$39,286	\$40,321	\$93	\$(755)	\$39,659

(a) Held-to-maturity securities are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

(b) Available-for-sale securities are carried at fair value with unrealized net gains or losses reported within other comprehensive income in shareholders' equity.

The weighted-average maturity of the available-for-sale investment securities was 6.7 years at March 31, 2006, compared with 6.1 years at December 31, 2005. The corresponding weighted-average yields were 5.06 percent and 4.89 percent, respectively. The weighted-average maturity of the held-to-maturity investment securities was 8.0 years at March 31, 2006, compared with 7.2 years at December 31, 2005. The corresponding weighted-average yields were 6.07 percent and 6.44 percent, respectively.

Securities carried at \$32.1 billion at March 31, 2006, and \$36.9 billion at December 31, 2005, were pledged to secure public, private and trust deposits, repurchase agreements and for other purposes required by law. Securities sold under agreements to repurchase where the buyer/lender has the right to sell or pledge the securities, were collateralized by securities with an amortized cost of \$8.0 billion at March 31, 2006, and \$10.9 billion at December 31, 2005, respectively.

The following table provides information as to the amount of interest income from taxable and non-taxable investment securities:

(Dollars in Millions)	Three Months Ended March 31,	
	2006	2005
Taxable	\$476	\$473
Non-taxable	14	3
Total interest income from investment securities	\$490	\$476

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The following table provides information as to the amount of gross gains and losses realized through the sales of available-for-sale investment securities:

	Three Months Ended March 31,	
(Dollars in Millions)	2006	2005
Realized gains	\$—	\$11
Realized losses	—	(70)
Net realized gains (losses)	\$—	\$(59)
Income tax (benefit) on realized gains (losses)	\$—	\$(22)

For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale securities outstanding at March 31, 2006, refer to Table 4 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired which have been in a continuous unrealized loss position at March 31, 2006:

(Dollars in Millions)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity						
Mortgage-backed securities	\$—	\$—	\$—	\$—	\$—	\$—
Obligations of state and political subdivisions	14	—	12	(1)	26	(1)
Other debt securities	—	—	—	—	—	—
Total	\$14	\$—	\$12	\$(1)	\$26	\$(1)
Available-for-sale						
U.S. Treasury and agencies	\$421	\$(11)	\$5	\$—	\$426	\$(11)
Mortgage-backed securities	16,506	(482)	15,466	(700)	31,972	(1,182)
Asset-backed securities	9	—	—	—	9	—
Obligations of state and political subdivisions	1,531	(16)	1	—	1,532	(16)
Other securities and investments	106	—	288	(6)	394	(6)
Total	\$18,573	\$(509)	\$15,760	\$(706)	\$34,333	\$(1,215)

The Company's rationale, by investment category, for determining if investments with unrealized losses that are not deemed to be other-than-temporarily impaired at March 31, 2006, was as follows:

Held-to-Maturity

Obligations of state and political subdivisions The unrealized losses were caused by increases in interest rates. The issuers of these securities do not have the contractual ability to pay off these securities at less than par. The Company has the ability and intent to hold these investments until maturity which is consistent with their designation as "held to maturity." Consequently, the Company does not consider these investments to be other-than-temporarily impaired as of the March 31, 2006.

Available-for-Sale

U.S. Treasury and agencies The unrealized losses on these securities were caused solely by rising interest rates since credit quality is not an issue for these types of securities. None of these securities can be paid off for less than par at maturity or any earlier call date. Because the Company has the ability and intent to hold these securities until a recovery of fair value, they are not considered to be other-than-temporarily impaired as of March 31, 2006.

Mortgage-backed securities The vast majority of these securities were issued by GNMA, FNMA and FHLMC and the remainder was privately issued with strong credit ratings. The unrealized losses for these securities were caused by rising interest rates over the past few years. Given the high credit quality of the investments, the Company fully expects to receive all contractual cash flows. Because the Company has the ability and intent to hold these securities until a recovery of fair value, they are not considered to be other-than-temporarily impaired as of March 31, 2006.

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Obligations of state and political subdivisions The unrealized losses were caused by rising interest rates. These municipal securities are investment grade credit quality with the vast majority rated AAA. None of these securities can be paid off for less than par at maturity or any earlier call date. Because the Company has the ability and intent to hold these securities until a recovery of fair value, they are not considered to be other-than-temporarily impaired as of March 31, 2006.

Other securities and investments The securities in this category consist primarily of debt issued by major U.S. banks. The losses are a result of a modest widening of credit spreads since the initial purchase dates. Given the high credit quality of these issuers, the Company expects to receive all contractual cash flows. None of these securities can be paid off for less than par at maturity or any earlier call date. Because the Company has the ability and intent to hold these securities until a recovery of fair value, they are not considered to be other-than-temporarily impaired as of March 31, 2006.

Note 4 Loans

The composition of the loan portfolio was as follows:

(Dollars in Millions)	March 31, 2006		December 31, 2005	
	Amount	Percent of Total	Amount	Percent of Total
Commercial				
Commercial	\$38,710	27.9%	\$37,844	27.5%
Lease financing	5,134	3.7	5,098	3.7
Total commercial	43,844	31.6	42,942	31.2
Commercial real estate				
Commercial mortgages	20,405	14.7	20,272	14.7
Construction and development	8,377	6.0	8,191	6.0
Total commercial real estate	28,782	20.7	28,463	20.7
Residential mortgages				
Residential mortgages	14,502	10.5	14,538	10.5
Home equity loans, first liens	6,154	4.4	6,192	4.5
Total residential mortgages	20,656	14.9	20,730	15.0
Retail				
Credit card	6,978	5.0	7,137	5.2
Retail leasing	7,161	5.2	7,338	5.3
Home equity and second mortgages	14,908	10.7	14,979	10.9
Other retail				
Revolving credit	2,438	1.8	2,504	1.8
Installment	3,773	2.7	3,582	2.6
Automobile	8,218	5.9	8,112	5.9
Student	2,024	1.5	2,019	1.4
Total other retail	16,453	11.9	16,217	11.7
Total retail	45,500	32.8	45,671	33.1
Total loans	\$138,782	100.0%	\$137,806	100.0%

Loans are presented net of unearned interest and deferred fees and costs, which amounted to \$1.3 billion at March 31, 2006, and December 31, 2005.

Note 5 Mortgage Servicing Rights

The Company's portfolio of residential mortgages serviced for others was \$74.0 billion and \$69.0 billion at March 31, 2006, and December 31, 2005, respectively. Effective January 1, 2006, the Company early adopted SFAS 156 and elected the fair value measurement method for mortgage servicing rights ("MSRs"). The fair value measurement method requires MSRs to be recorded initially at fair value, if practicable, and at each subsequent reporting date. In accordance with SFAS 156, changes in fair value are recorded in earnings during the period in which they occur.

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Prior to the adoption of SFAS 156, the initial carrying value of MSRs was amortized in proportion to, and over the period of, estimated net servicing revenue and recorded in noninterest expense as amortization of intangible assets. Upon adoption of SFAS 156, the Company recognized a cumulative-effect accounting adjustment that increased beginning retained earnings by \$4 million (net of tax). Approximately \$3 million (net of tax) represents the difference between the fair value and the carrying amount of the Company's MSRs, and the additional \$1 million (net of tax) represents the reclassification of unrealized gains in accumulated other comprehensive income at adoption, for certain available-for-sale securities reclassified to trading securities upon the adoption of the provisions of SFAS 156. Beginning in March 2006, the Company began entering into U.S. Treasury futures and options on U.S. Treasury futures contracts to offset the change in fair value of the MSRs. Changes in fair value related to the MSRs and the futures and options contracts, as well as, \$76 million of servicing and other related fees are recorded in mortgage banking revenue. Changes in fair value of capitalized MSRs are summarized as follows:

(Dollars in Millions)	Three Months Ended March 31, 2006
Balance at beginning of period	\$1,123
Rights purchased	46
Rights capitalized	71
Changes in fair value of MSRs:	
Due to change in valuation assumptions	33
Other changes in fair value (a)	(45)
Balance at end of period	\$1,228

(a) Represents changes due to collection/realization of expected cash flows over time.

The Company determines fair value by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, discount rates, and other assumptions validated through comparison to trade information, industry surveys, and independent third party appraisals. Risks inherent in the MSRs valuation include higher than expected prepayment rates and/or delayed receipt of cash flows. In March 2006, the Company implemented a program utilizing futures and options contracts to mitigate the valuation risk. The estimated sensitivity to changes in interest rates of the fair value of the MSRs portfolio and the related derivative instruments at March 31, 2006, was as follows:

(Dollars in Millions)	Down Scenario		Up Scenario	
	50bps	25bps	25bps	50bps
Fair value	\$(15)	\$5	\$(9)	\$(16)

The fair value of MSRs and its sensitivity to changes in interest rates is influenced by the mix of the servicing portfolio and characteristics of each segment of the portfolio. The Company's servicing portfolio consists of the distinct portfolios of Mortgage Revenue Bond Programs ("MRBP"), government-insured mortgages and conventional mortgages. The MRBP division specializes in servicing loans made under state and local housing authority programs. These programs provide mortgages to low- and moderate-income borrowers and are generally government-insured programs with a favorable rate subsidy, down payment and/or closing cost assistance. Mortgage loans originated as part of government agency and state loan programs tend to experience slower prepayment speeds and better cash flows than conventional mortgage loans. The servicing portfolios are predominantly comprised of fixed-rate agency loans (FNMA, FHLMC, GNMA, FHLB and various housing agencies) with limited adjustable-rate or jumbo mortgage loans.

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

(Dollars in Millions)	MRBP	Government	Conventional	Total
Servicing portfolio	\$6,787	\$8,595	\$58,627	\$74,009
Fair market value	\$131	\$161	\$936	\$1,228
Value (bps)	193	187	160	166
Weighted-average servicing fees (bps)	42	44	35	37
Multiple (value/servicing fees)	4.60	4.25	4.57	4.49
Weighted-average note rate	5.96%	6.05%	5.74%	5.80%
Age (in years)	3.7	2.9	2.3	2.5
Expected life (in years)	7.2	7.0	7.4	7.3
Discount rate	10.5%	10.8%	10.1%	10.2%

Note 6 Junior Subordinated Debentures

On March 17, 2006, the Company formed USB Capital IX, a Delaware statutory trust, for the purpose of issuing \$1.3 billion of redeemable Income Trust Securities (“ITS”) to third party investors, investing the proceeds in junior subordinated debentures issued by the Company (“Debentures”) and entering into stock purchase contracts to purchase preferred stock to be issued by the Company in the future. The Company’s obligations under the transaction documents, taken together, have the effect of providing a full and unconditional guarantee by the Company, on a subordinated basis, of the payment obligations of the trust. The Debentures held by the trust accrue a fixed rate of interest, semi-annually, at 5.54 percent. The Debentures mature on April 15, 2042, but are redeemable beginning April 15, 2015, subject to the prior approval of the Federal Reserve Board. Pursuant to the stock purchase contracts, the Company shall make contract payments of .65 percent, also payable semi-annually, through a specified stock purchase date expected to be April 15, 2011.

Prior to the specified stock purchase date, the trust shall remarket and sell the Debentures to third party investors to generate cash proceeds to satisfy its obligation to purchase the Company’s Series A Non-Cumulative Perpetual Preferred Stock (“Series A Preferred Stock”) pursuant to the stock purchase contracts. The terms of the Debentures may be revised in connection with their remarketing and sale.

The Series A Preferred Stock, when issued pursuant to the stock purchase contracts, is expected to pay quarterly dividends equal to the greater of three-month LIBOR plus 1.02 percent or 3.50 percent. In connection with this transaction, the Company also entered into a replacement capital covenant which restricts the Company’s rights to repurchase the ITS and to redeem or repurchase the Series A Preferred Stock.

For further information on other junior subordinated debentures and related trust preferred securities, refer to Note 15 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

Note 7 Shareholders’ Equity

On March 27, 2006, the Company issued depositary shares representing an ownership interest in 40,000 shares of Series B Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the “Series B Preferred Stock”). The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends on the Series B Preferred Stock, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to the greater of three-month LIBOR plus .60 percent, or 3.50 percent. If the Company has not declared a dividend on the Series B Preferred Stock before the dividend payment date for any dividend period, such dividend shall not be cumulative and shall cease to accrue and be payable, and the Company will have no obligation to pay dividends accrued for such dividend period, whether or not dividends on the Series B Preferred Stock are declared for any future dividend period.

The Company may not pay dividends on or repurchase shares of its junior stock unless dividends for the then-current dividend period of the Series B Preferred Stock have been declared and sufficient funds set aside to make payment. The Company may not pay dividends on or repurchase shares of its parity stock unless such dividends or offers to repurchase parity stock are made on a proportional basis with respect to the Series B Preferred Stock.

On April 15, 2011, or thereafter, the Series B Preferred Stock is redeemable at the Company’s option, subject to the prior approval of the Federal Reserve Board, at a redemption price equal to \$25,000 per share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends. In connection with this transaction, the Company also entered into a replacement capital covenant, which restricts the Company’s rights to redeem or repurchase the Series B Preferred Stock. Except in certain limited circumstances, the Series B Preferred Stock will not have any voting rights.

For further information on shareholders’ equity, refer to Note 16 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005.

Note 8 Earnings Per Common Share

The components of earnings per common share were:

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended March 31,	
	2006	2005
Net income	\$1,153	\$1,071
Average common shares outstanding	1,801	1,852
Net effect of the assumed purchase of stock based on the treasury stock method for options and stock plans	25	28
Average diluted common shares outstanding	1,826	1,880
Earnings per common share	\$.64	\$.58
Diluted earnings per common share	\$.63	\$.57

For the three months ended March 31, 2006 and 2005, options to purchase 8 million and 15 million shares, respectively, were outstanding but not included in the computation of diluted earnings per common share because they were antidilutive.

Note 9 Employee Benefits

The components of net periodic benefit cost (income) for the Company's retirement plans were:

(Dollars in Millions)	Three Months Ended March 31,			
	Pension Plans		Post Retirement Medical Plans	
	2006	2005	2006	2005
Components of net periodic benefit cost (income)				
Service cost	\$18	\$16	\$1	\$1
Interest cost	30	28	3	4
Expected return on plan assets	(48)	(49)	—	—
Net amortization and deferral	(2)	(2)	—	—
Recognized actuarial loss	23	15	—	—
Net periodic benefit cost (income)	\$21	\$8	\$4	\$5

Note 10 Stock-based Compensation

As part of its employee and director compensation programs, the Company may grant certain stock awards under the provisions of the existing stock compensation plans, including plans assumed in acquisitions. The plans provide for grants of options to purchase shares of common stock at a fixed price equal to the fair value of the underlying stock at the date of grant. Option grants are generally exercisable up to ten years from the date of grant. In addition, the plans provide for grants of shares of common stock or stock units that are subject to restriction on transfer prior to vesting. Most stock awards vest over three to five years and are subject to forfeiture if certain vesting requirements are not met.

In December 2004, the Financial Accounting Standards Board issued SFAS 123R. SFAS 123R requires companies to measure the cost of employee services in exchange for equity instruments based on the grant-date fair value of the award. This statement eliminates the use of the alternative intrinsic value method of accounting that was allowed when SFAS 123 was originally issued. The provisions of this statement were effective for the Company beginning on January 1, 2006. The Company adopted SFAS 123R using the modified retrospective method. Because the Company retroactively adopted the fair value method in 2003, the impact of expensing stock-based awards was already recorded in the Company's financial results. In conjunction with the adoption of SFAS 123R, the Company changed from an accelerated to a straight-line method of expense attribution effective January 1, 2006, for new stock-based awards. The impact of changing from accelerated to straight-line amortization for new awards will reduce expenses by approximately \$33 million (\$20 million after tax) in 2006. In addition, the Company recognized \$13 million of stock-based compensation expense in the first quarter, for awards granted in the current year, related to certain provisions of SFAS 123R that require immediate expense recognition of the value of stock awards to employees that

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meet retiree status, despite their continued active employment. At March 31, 2006, there were 13 million shares (subject to adjustment for forfeitures) available for grant under various plans.

The following is a summary of stock options outstanding and exercised under various stock options plans of the Company:

Three Months Ended March 31,	2006				2005			
	Stock Options/Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)	Stock Options/Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Stock option plans								
Number outstanding at beginning of period	125,983,461	\$24.38			134,727,285	\$23.41		
Granted	11,321,342	29.99			11,282,801	30.24		
Exercised	(8,360,592)	21.03			(4,265,364)	20.73		
Cancelled (a)	(484,983)	27.19			(902,300)	24.47		
Number outstanding at end of period (b)	128,459,228	\$ 25.08	5.3	\$696	140,842,422	\$24.03	5.7	\$674
Exercisable at end of period	96,823,258	\$24.14	4.2	\$616	102,391,861	\$23.65	4.8	\$529

(a) Options cancelled includes both non-vested (i.e., forfeitures) and vested options.

(b) Outstanding options include stock-based awards that may be forfeited in future periods, however, the impact of estimated forfeitures is reflected in compensation expense.

The weighted-average grant-date fair value of options granted during the quarter ending March 31, 2006 and March 31, 2005 was \$6.34 and \$6.71, respectively. The total intrinsic value of options exercised during the quarter ended March 31, 2006 and 2005, was \$80 million and \$41 million, respectively. The total fair value of option shares vested during the quarter ended March 31, 2006 and 2005, was \$40 million and \$45 million, respectively.

Cash received from option exercises under all share-based payment arrangements for the periods ending March 31, 2006 and 2005, was \$176 million and \$88 million, respectively. The tax benefit realized for the tax deductions from option exercises of the share-based payment arrangements totaled \$30 million and \$15 million, respectively, for the periods ending March 31, 2006, and March 31, 2005. To satisfy share option exercises, the Company predominantly uses treasury stock.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model, requiring the use of subjective assumptions. The following table includes the assumptions utilized by the Company for the periods ending March 31:

	2006	2005
Risk-free interest rate	4.3%	3.6%
Dividend yield	4.0%	3.5%
Stock volatility factor	.28	.29
Expected life of options (in years)	5.4	5.4

Expected stock volatility is based on several factors including the historical volatility of the Company's stock, implied volatility determined from traded options and other factors. The Company uses historical data to estimate option exercises and employee terminations to estimate the expected life of options. The risk-free interest rate for the expected life of the options is based on the U.S. Treasury yield curve in effect on the date of grant. The expected dividend yield is based on the Company's expected dividend yield over the life of the options.

Additional information regarding stock options outstanding as of March 31, 2006, is as follows:

Range of Exercise Prices	Options Outstanding			Exercisable Options	
	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$5.05 — \$10.00	36,260	.9	\$7.70	36,260	\$7.70
\$10.01 — \$15.00	1,307,245	1.8	11.52	1,307,245	11.52
\$15.01 — \$20.00	17,931,099	4.8	18.80	17,756,556	18.79
\$20.01 — \$25.00	48,876,301	4.9	22.37	42,073,940	22.48
\$25.01 — \$30.00	45,574,643	5.3	28.94	28,905,113	28.61
\$30.01 — \$35.00	14,446,434	6.8	30.91	6,456,898	31.73
\$35.01 — \$36.95	287,246	1.1	35.90	287,246	35.90
	128,459,228	5.3	\$25.08	96,823,258	\$24.14

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A summary of the status of the Company's restricted shares of stock is presented below:

Three Months Ended March 31,	2006		2005	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested shares				
Number outstanding at beginning of period	2,644,171	\$26.73	2,265,625	\$25.06
Granted	851,492	29.98	908,342	30.12
Cancelled/vested	(423,392)	29.24	(335,416)	26.80
Forfeited	(35,021)	29.43	(21,550)	28.80
Number outstanding at end of period	3,037,250	\$27.26	2,817,001	\$26.45

The total fair value of shares vested during the periods ending March 31, 2006 and 2005 was \$13 million and \$10 million, respectively.

Stock-based compensation expense was \$36 million in the first quarter of 2006, compared with \$34 million in the first quarter of 2005. At the time employee stock options expire, are exercised or cancelled, the Company determines the tax benefit associated with the stock award and under certain circumstances may be required to recognize an adjustment to tax expense. On an after-tax basis, stock-based compensation was \$22 million and \$21 million for periods ending March 31, 2006, and 2005, respectively. As of March 31, 2006, there was \$156 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 3.0 years.

Note 11 Income Taxes

The components of income tax expense were:

(Dollars in Millions)	Three Months Ended March 31,	
	2006	2005
Federal		
Current	\$581	\$423
Deferred	(82)	64
Federal income tax	499	487
State		
Current	68	60
Deferred	(6)	5
State income tax	62	65
Total income tax provision	\$561	\$552

A reconciliation of expected income tax expense at the federal statutory rate of 35 percent to the Company's applicable income tax expense follows:

(Dollars in Millions)	Three Months Ended March 31,	
	2006	2005
Tax at statutory rate (35 percent)	\$600	\$568
State income tax, at statutory rates, net of federal tax benefit	40	42
Tax effect of		
Tax credits	(58)	(40)
Tax-exempt income	(20)	(14)
Other items	(1)	(4)
Applicable income taxes	\$561	\$552

The Company's net deferred tax liability was \$1,340 million at March 31, 2006, and \$1,615 million at December 31, 2005.

Note 12 Guarantees and Contingent Liabilities

The following table is a summary of the guarantees and contingent liabilities of the Company at March 31, 2006:

(Dollars in Millions)	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	\$77	\$10,831
Third-party borrowing arrangements	7	463
Securities lending indemnifications	—	13,516
Asset sales (a)	8	799
Merchant processing	54	54,579
Other guarantees	22	3,632
Other contingent liabilities	13	1,755

(a) The maximum potential future payments does not include loans sales where the Company provides standard representations and warranties to the buyer against losses related to loan underwriting documentation. For these types of loans sales, the maximum potential future payments are not readily determinable because the Company's obligation under these agreements depends upon the occurrence of future events.

The Company, through its subsidiaries, provides merchant processing services. Under the rules of credit card associations, a merchant processor retains a contingent liability for credit card transactions processed. This contingent liability arises in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder's favor. In this situation, the transaction is "charged back" to the merchant and the disputed amount is credited or otherwise refunded to the cardholder. If the Company is unable to collect this amount from the merchant, it bears the loss for the amount of the refund paid to the cardholder.

The Company currently processes card transactions for several airlines in the United States. In the event of liquidation of these airlines, the Company could become financially liable for refunding tickets purchased through the credit card associations under the charge-back provisions. Charge-back risk related to an airline is evaluated in a manner similar to credit risk assessments and, as such, merchant processing contracts consider the potential risk of default. At March 31, 2006, the value of airline tickets purchased to be delivered at a future date was \$3.2 billion, and the Company held collateral of \$1.9 billion in escrow deposits, letters of credit and liens on various assets.

The Company is subject to various litigation, investigations and legal and administrative cases and proceedings that arise in the ordinary course of its businesses. Due to their complex nature, it may be years before some matters are resolved. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, the Company believes that the aggregate amount of such liabilities will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

For information on the nature of the Company's guarantees and contingent liabilities, please refer to Note 23 in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

U.S. Bancorp

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

For the Three Months Ended March 31,							
	2006			2005			
(Dollars in Millions) (Unaudited)	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	% Change Average Balances
Assets							
Investment securities	\$39,680	\$496	5.00%	\$42,813	\$477	4.46%	(7.3)%
Loans held for sale	1,669	26	6.27	1,429	21	5.83	16.8
Loans (b)							
Commercial	43,925	690	6.36	40,997	577	5.69	7.1
Commercial real estate	28,616	497	7.04	27,504	413	6.09	4.0
Residential mortgages	20,987	294	5.62	15,827	218	5.55	32.6
Retail	45,851	857	7.58	43,326	709	6.63	5.8
Total loans	139,379	2,338	6.79	127,654	1,917	6.08	9.2
Other earning assets	2,373	43	7.33	1,398	27	7.88	69.7
Total earning assets	183,101	2,903	6.40	173,294	2,442	5.69	5.7
Allowance for loan losses	(2,059)			(2,114)			2.6
Unrealized gain (loss) on available-for-sale securities	(799)			(261)			*
Other assets	29,782			26,016			14.5
Total assets	<u>\$210,025</u>			<u>\$196,935</u>			6.6
Liabilities and Shareholders' Equity							
Noninterest-bearing deposits	\$28,837			\$28,417			1.5
Interest-bearing deposits							
Interest checking	23,141	45	.78	23,146	31	.54	—
Money market savings	27,378	116	1.72	30,264	70	.93	(9.5)
Savings accounts	5,689	4	.29	5,968	4	.31	(4.7)
Time certificates of deposit less than \$100,000	13,505	114	3.42	12,978	86	2.70	4.1
Time deposits greater than \$100,000	21,613	224	4.20	18,650	117	2.54	15.9
Total interest-bearing deposits	91,326	503	2.23	91,006	308	1.37	.4
Short-term borrowings	24,356	272	4.54	15,606	112	2.91	56.1
Long-term debt	38,229	403	4.26	35,440	271	3.09	7.9
Total interest-bearing liabilities	153,911	1,178	3.10	142,052	691	1.97	8.3
Other liabilities	7,129			6,663			7.0
Shareholders' equity							
Preferred equity	55			—			*
Common equity	20,093			19,803			1.5
Total shareholders' equity	20,148			19,803			1.7
Total liabilities and shareholders' equity	<u>\$210,025</u>			<u>\$196,935</u>			6.6 %
Net interest income		<u>\$1,725</u>			<u>\$1,751</u>		
Gross interest margin			<u>3.30%</u>			<u>3.72%</u>	
Gross interest margin without taxable-equivalent increments			<u>3.28</u>			<u>3.70</u>	
Percent of Earning Assets							
Interest income			6.40%			5.69%	
Interest expense			<u>2.60</u>			<u>1.61</u>	
Net interest margin			<u>3.80%</u>			<u>4.08%</u>	
Net interest margin without taxable-equivalent increments			3.78%			4.06%	

* 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.

Part II — Other Information

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds — Refer to the “Capital Management” section within Management’s Discussion and Analysis in Part I for information regarding shares repurchased by the Company during the first quarter of 2006.

Item 4. Submission of Matters to a Vote of Security Holders — The 2006 Annual Meeting of Shareholders of U.S. Bancorp was held Tuesday, April 18, 2006, at the San Diego Marriott Gaslamp Quarter, San Diego, California. Jerry A. Grundhofer, Chairman and Chief Executive Officer, presided.

The holders of 1,584,359,811 shares of common stock, 88.0 percent of the outstanding shares entitled to vote as of the record date, were represented at the meeting in person or by proxy. The candidates for election as Class II Directors listed in the proxy statement were elected to serve three-year terms expiring at the annual shareholders’ meeting in 2009, and the selection of Ernst & Young LLP as the Company’s independent auditors for the fiscal year ending December 31, 2006, was ratified. The proposal to approve the U.S. Bancorp 2006 Executive Incentive Plan and the shareholder proposal urging the declassification of the Board of Directors were approved. The shareholder proposal urging the adoption of a policy that shareholders be given an opportunity to annually approve the report of our Compensation Committee was not approved.

Summary of Matters Voted Upon by Shareholders

	Number of Shares			
	For	Withheld		
Election of Class II Directors:				
Peter H. Coors	1,542,275,423	42,084,388		
Jerry A. Grundhofer	1,538,133,298	46,226,513		
Patrick T. Stokes	1,536,044,686	48,315,125		
	For	Against	Abstain	Broker Non-Vote
Ratification of Independent Auditors	1,369,245,625	202,034,322	13,079,863	
Proposal to Approve the U.S. Bancorp 2006 Executive Incentive Plan	1,079,661,610	215,205,261	25,950,216	263,542,724
Proposal to Declassify the Board of Directors	913,649,819	379,422,057	28,600,219	262,687,716
Proposal to Annually Approve the Compensation Committee Report	521,840,901	756,795,455	43,114,237	262,609,218

For a copy of the meeting minutes, please write to the Office of the Corporate Secretary, U.S. Bancorp, 800 Nicollet Mall, Minneapolis, Minnesota 55402.

Item 6. Exhibits

- 3.1

Restated Certificate of Incorporation, as amended.
- 10.1

U.S. Bancorp 2006 Executive Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed April 21, 2006).
- 12

Computation of Ratio of Earnings to Fixed Charges
- 31.1

Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
- 31.2

Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
- 32

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. BANCORP

By: /s/ TERRANCE R. DOLAN

Terrance R. Dolan
Executive Vice President and Controller
(Chief Accounting Officer and Duly Authorized Officer)

DATE: May 10, 2006

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)		Three Months Ended March 31, 2006
Earnings		
1.	Net income	\$1,153
2.	Applicable income taxes	561
3.	Income before income taxes (1 + 2)	<u>\$1,714</u>
4.	Fixed charges:	
a.	Interest expense excluding interest on deposits	\$673
b.	Portion of rents representative of interest and amortization of debt expense	<u>18</u>
c.	Fixed charges excluding interest on deposits (4a + 4b)	691
d.	Interest on deposits	<u>503</u>
e.	Fixed charges including interest on deposits (4c + 4d)	<u>\$1,194</u>
5.	Amortization of interest capitalized	\$—
6.	Earnings excluding interest on deposits (3 + 4c + 5)	2,405
7.	Earnings including interest on deposits (3 + 4e + 5)	2,908
8.	Fixed charges excluding interest on deposits (4c)	691
9.	Fixed charges including interest on deposits (4e)	1,194
Ratio of Earnings to Fixed Charges		
10.	Excluding interest on deposits (line 6/line 8)	3.48
11.	Including interest on deposits (line 7/line 9)	<u>2.44</u>

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jerry A. Grundhofer, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JERRY A. GRUNDHOFER

Jerry A. Grundhofer

Chief Executive Officer

Dated: May 10, 2006

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, David M. Moffett, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID M. MOFFETT

David M. Moffett
Chief Financial Officer

Dated: May 10, 2006

U.S. Bancorp

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EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Chief Executive Officer and Chief Financial Officer of U.S. Bancorp, a Delaware corporation (the “Company”), do hereby certify that:

- (1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JERRY A. GRUNDHOFER

Jerry A. Grundhofer
Chief Executive Officer

/s/ DAVID M. MOFFETT

David M. Moffett
Chief Financial Officer

Dated: May 10, 2006

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Minneapolis, MN

Corporate Information

Executive Offices

U.S. Bancorp
800 Nicollet Mall
Minneapolis, MN 55402

Common Stock Transfer Agent and Registrar

Mellon Investor Services acts as our transfer agent and registrar, dividend paying agent and dividend reinvestment plan administrator, and maintains all shareholder records for the corporation. Inquiries related to shareholder records, stock transfers, changes of ownership, lost stock certificates, changes of address and dividend payment should be directed to the transfer agent at:

Mellon Investor Services
P.O. Box 3315
South Hackensack, NJ 07606-1915
Phone: 888-778-1311 or 201-680-4000
Internet: melloninvestor.com

For Registered or Certified Mail:

Mellon Investor Services
480 Washington Boulevard
Jersey City, NJ 07310

Telephone representatives are available weekdays from 8:00 a.m. to 6:00 p.m. Central Time, and automated support is available 24 hours a day, 7 days a week. Specific information about your account is available on Mellon's Internet site by clicking on the "Investor ServiceDirects™" link.

Independent Auditors

Ernst & Young LLP serves as the independent auditors of U.S. Bancorp's financial statements.

Common Stock Listing and Trading

U.S. Bancorp common stock is listed and traded on the New York Stock Exchange under the ticker symbol USB.

Dividends and Reinvestment Plan

U.S. Bancorp currently pays quarterly dividends on our common stock on or about the 15th day of January, April, July and October, subject to approval by our Board of Directors. U.S. Bancorp shareholders can choose to participate in a plan that provides automatic reinvestment of dividends and/or optional cash purchase of additional shares of U.S. Bancorp common stock. For more information, please contact our transfer agent, Mellon Investor Services. See above.

Investment Community Contacts

Judith T. Murphy
Senior Vice President, Investor Relations
judith.murphy@usbank.com
Phone: 612-303-0783 or 866-775-9668



Financial Information

U.S. Bancorp news and financial results are available through our web site and by mail.

Web site. For information about U.S. Bancorp, including news, financial results, annual reports and other documents filed with the Securities and Exchange Commission, access our home page on the Internet at usbank.com, click on About U.S. Bancorp, then Investor/Shareholder Information.

Mail. At your request, we will mail to you our quarterly earnings, news releases, quarterly financial data reported on Form 10-Q and additional copies of our annual reports. Please contact:

U.S. Bancorp Investor Relations
800 Nicollet Mall
Minneapolis, Minnesota 55402
investorrelations@usbank.com
Phone: 612-303-0799 or 866-775-9668

Media Requests

Steven W. Dale
Senior Vice President, Media Relations
steve.dale@usbank.com
Phone: 612-303-0784

Privacy

U.S. Bancorp is committed to respecting the privacy of our customers and safeguarding the financial and personal information provided to us. To learn more about the U.S. Bancorp commitment to protecting privacy, visit usbank.com and click on Privacy Pledge.

Code of Ethics

U.S. Bancorp places the highest importance on honesty and integrity. Each year, every U.S. Bancorp employee certifies compliance with the letter and spirit of our Code of Ethics and Business Conduct, the guiding ethical standards of our organization. For details about our Code of Ethics and Business Conduct, visit usbank.com and click on About U.S. Bancorp, then Ethics at U.S. Bank.

Diversity

U.S. Bancorp and our subsidiaries are committed to developing and maintaining a workplace that reflects the diversity of the communities we serve. We support a work environment where individual differences are valued and respected and where each individual who shares the fundamental values of the company has an opportunity to contribute and grow based on individual merit.

Equal Employment Opportunity/Affirmative Action

U.S. Bancorp and our subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this commitment, employment decisions are made based upon performance, skill and ability, not race, color, religion, national origin or ancestry, gender, age, disability, veteran status, sexual orientation or any other factors protected by law. The corporation complies with municipal, state and federal fair employment laws, including regulations applying to federal contractors.

U.S. Bancorp, including each of our subsidiaries, is an Equal Opportunity Employer committed to creating a diverse workforce.



U.S. Bancorp
Member FDIC



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RESTATED
CERTIFICATE OF INCORPORATION
OF
U.S. BANCORP

FIRST: The name of this corporation is U.S. Bancorp.

SECOND: The registered office of the corporation in the State of Delaware is to be located at 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the corporation is to engage in any part of the world in any capacity in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, and the corporation shall be authorized to exercise and enjoy all powers, rights and privileges which corporations organized under the General Corporation Law of Delaware may have under the laws of the State of Delaware as in force from time to time, including without limitation all powers, rights and privileges necessary or convenient to carry out all those acts and activities in which it may lawfully engage.

FOURTH: The total number of shares of all classes of stock which the corporation shall have the authority to issue is 1,550,000,000, consisting of 50,000,000 shares of Preferred Stock of the par value of \$1.00 each and 1,500,000,000 shares of Common Stock of the par value of \$1.25 each.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock are as follows:

The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of preferred stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the board of directors, subject to the limitations prescribed by law and in accordance with the provisions hereof, including (but without limiting the generality thereof) the following:

(a) The designation of the series and the number of shares to constitute the series.

(b) The dividend rate of the series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividends shall be cumulative or noncumulative.

(c) Whether the shares of the series shall be subject to redemption by the corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of the series.

(e) Whether or not the shares of the series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of the series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any on the issue or reissue of any additional preferred stock.

(h) The rights of the holders of the shares of the series upon the dissolution, liquidation, or winding up of the corporation.

Subject to the prior or equal rights, if any, of the preferred stock of any and all series stated and expressed by the board of directors in the resolution or resolutions providing for the issuance of such preferred stock, the holders of common stock shall be entitled (i) to receive dividends when and as declared by the board of directors out of any funds legally available therefore, (ii) in the event of any dissolution, liquidation or winding up of the corporation, to receive the remaining assets of the corporation, ratably according to the number of shares of common stock held, and (iii) to one vote for each share of common stock held. No holder of common stock shall have any preemptive right to purchase or subscribe for any part of any issue of stock or of securities of the corporation convertible into stock of any class whatsoever, whether now or hereafter authorized.

Pursuant to the authority conferred by this Article FOURTH, the following series of Preferred Stock have been designated, each such series

consisting of such number of shares, with such voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the exhibit with respect to such series attached hereto as specified below and incorporated herein by reference:

Exhibit A Adjustable Rate Cumulative Preferred Stock, Series 1990A

Exhibit B 8 1/8% Cumulative Preferred Stock, Series A

FIFTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

- (a) To fix, determine and vary from time to time the amount to be maintained as surplus and the amount or amounts to be set apart as working capital.
- (b) To adopt, amend, alter or repeal by-laws of the corporation, without any action on the part of the shareholders. The by-laws adopted by the directors may be amended, altered, changed, added to or repealed by the shareholders.
- (c) To authorize and cause to be executed mortgages and liens, without limit as to amount, upon the real and personal property of this corporation.
- (d) To sell, assign, convey or otherwise dispose of a part of the property, assets and effects of this corporation, less than the whole, or less than substantially the whole thereof, on such terms and conditions as they shall deem advisable, without the assent of the shareholders; and also to sell, assign, transfer, convey and otherwise dispose of the whole or substantially the whole of the property, assets, effects, franchises and good will of this corporation on such terms and conditions as they shall deem advisable, but only pursuant to the affirmative vote of the holders of a majority in amount of the stock then having voting power and at the time issued and outstanding, but in any event not less than the amount required by law.
- (e) All of the powers of this corporation, insofar as the same lawfully may be vested by this certificate in the board of directors, are hereby conferred upon the board of directors of this corporation.

SIXTH: The affairs of the Corporation shall be conducted by a Board of Directors. Except as otherwise provided by this Article Sixth, the number of directors, not less than twelve (12) nor more than thirty (30), shall be fixed from time to time by the Bylaws. Commencing with the annual election of directors by the stockholders in 1986, the directors shall be divided into three classes: Class I, Class II and Class III, each such class, as nearly as possible, to have the same number of directors. Such classified directors may be removed by vote of the stockholders only for cause. The term of office of the initial Class I directors shall expire at the annual election of directors by the stockholders in 1987, the term of office of the initial Class II directors shall expire at the annual election of directors by the stockholders in 1988, and the term of office of the initial Class III directors shall expire at the annual election of directors by the stockholders in 1989. At each annual election of directors by the stockholders held after 1985, the directors chosen to succeed those whose terms have then expired shall be identified as being of the same class as the directors they succeed and shall be elected by the stockholders for a term expiring at the third succeeding annual election of directors. In all cases, directors shall hold office until their respective successors are elected by the stockholders and have qualified.

In the event that the holders of any class or series of stock of the Corporation having a preference as to dividends or upon liquidation of the Corporation shall be entitled, by a separate class vote, to elect directors as may be specified pursuant to Article Fourth, then the provisions of such class or series of stock with respect to their rights shall apply. The number of directors that may be elected by the holders of any such class or series of stock shall be in addition to the number fixed pursuant to the preceding paragraph of this Article Sixth. Except as otherwise expressly provided pursuant to Article Fourth, the number of directors that may be so elected by the holders of any such class or series of stock shall be elected for terms expiring at the next annual meeting of stockholders and without regard to the classification of the remaining members of the Board of Directors and vacancies among directors so elected by the separate class vote of any such class or series of stock shall be filled by the remaining directors elected by such class or series, or, if there are no such remaining directors, by the holders of such class or series in the same manner in which such class or series initially elected a director.

If at any meeting for the election of directors, more than one class of stock, voting separately as classes, shall be entitled to elect one or more directors and there shall be a quorum of only one such class of stock, that class of stock shall be entitled to elect its quota of directors notwithstanding the absence of a quorum of the other class or classes of stock.

Vacancies and newly created directorships resulting from an increase in the number of directors, subject to the provision of Article Fourth, shall be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and such directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen, and until their successors shall be elected and shall have qualified.

Notwithstanding any other provisions of this Amended Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of this Article Sixth may not be amended or repealed (except an amendment hereto to reduce the maximum number of directors of the Corporation to not less than the greater of (A) the number of directors then in office and (B) twenty-four (24)) unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article Sixth as a single class.

SEVENTH: No action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

EIGHTH: (a) In addition to the requirements of the provision of any series of preferred stock which may be outstanding, and whether or not a vote of the stockholders is otherwise required, the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of the Voting Stock shall be required for the approval or authorization of any Business Transaction with a Related Person, or any Business Transaction in which a Related Person has an interest (other than only a proportionate interest as a stockholder of the Corporation); provided, however, that the eighty percent (80%) voting requirement shall not be applicable if (i) the Business Transaction is Duly Approved by the Continuing Directors, or (ii) all of the following conditions are satisfied:

(A) the Business Transaction is a merger or consolidation or sale of substantially all of the assets of the corporation, and the aggregate amount of cash and the fair market value of the property, securities or other consideration to be received per share (on the date of effectiveness of such merger or consolidation or on the date of distribution to stockholders of the Corporation of the proceeds from such sale of assets) by holders of common stock of the corporation (other than such Related Person) in connection with such Business Transaction is at least equal in value to such Related Person's Highest Common Stock Purchase Price;

(B) after such Related Person has become the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock and prior to the consummation of such Business Transaction, such Related Person shall not have become the Beneficial Owner of any additional shares of Voting Stock or securities convertible into Voting Stock, except (i) as a part of the transaction which resulted in such Related Person becoming the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock, or (ii) as a result of a pro rata stock dividend or stock split; and

(C) prior to the consummation of such Business Transaction, such Related Person shall not have, directly or indirectly, (i) received the benefit (other than only a proportionate benefit as a stockholder of the Corporation) of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the corporation or any of its subsidiaries, (ii) caused any material change in the corporation's business or equity capital structure, including, without limitation, the issuance of shares of capital stock of the corporation or (iii) except as Duly Approved by the Continuing Directors, caused the corporation to fail to declare and pay quarterly cash dividends on the outstanding common stock on a per share basis at least equal to the cash dividends being paid thereon by the corporation immediately prior to the date on which the Related Person became a Related Person.

(b) For the purpose of this Article Eighth:

(i) The term "Business Transaction" shall mean (a) any merger or consolidation involving the corporation or a subsidiary of the corporation, (b) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions), including, without limitation, a mortgage or any other security device, of all or any Substantial Part of the assets either of the corporation or of a subsidiary of the corporation, (c) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions) of all or any Substantial Part of the assets of an entity to the corporation or a subsidiary of the corporation, (d) the issuance, sale, exchange, transfer or other disposition (in one transaction or a series of related transactions) by the corporation or a subsidiary of the corporation of any securities of the corporation or any subsidiary of the corporation having an aggregate fair market value of \$100 million or more, (e) any recapitalization or reclassification of the securities of the Corporation (including, without limitation, any reverse stock split) or other transaction that would have the effect of increasing the voting power of a Related Person or reducing the number of shares of each class of Voting Securities outstanding, (f) any liquidation, spinoff, splitoff, splitup or dissolution of the corporation, and (g) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Transaction.

(ii) The term “Related Persons” shall mean and include (a) any individual, corporation, partnership, group, association or other person or entity which, together with its Affiliates and Associates, is the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock or was the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock (x) at the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (y) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation or (z) as of the record date for the determination of stockholders entitled to notice of and vote on, or consent to, the Business Transaction, and (b) any Affiliate or Associate of any such individual, corporation, partnership, group, association or other person or entity; provided, however, and notwithstanding anything in the foregoing to the contrary, the term “Related Person” shall not include the corporation, a wholly-owned subsidiary of the corporation, any employee stock ownership or other employee benefit plan of the corporation or any wholly-owned subsidiary of the corporation, or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity.

(iii) The term “Beneficial Owner” shall be defined by reference to Rule 13d-3 under the Securities Exchange Act of 1934, as in effect on January 16, 1986; provided, however, that any individual, corporation, partnership, group, association or other person or entity which has the right to acquire any Voting Stock at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed the Beneficial Owner of Voting Stock.

(iv) The term “Highest Common Stock Purchase Price” shall mean the highest amount of consideration paid by such Related Person for a share of Common Stock of the Corporation (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) in the transaction which resulted in such Related Person becoming a Related Person or within one year prior to the date such Related Person became a Related Person, whichever is higher; provided, however, that the Highest Common Stock Purchase Price shall be appropriately adjusted to reflect the occurrence of any reclassification, recapitalization, stock split, reverse stock split or other similar corporate readjustment in the number of outstanding shares of common stock of the corporation between the last date upon which such Related Person paid the Highest Common Stock Purchase Price to the effective date of the merger or consolidation or the date of distribution to stockholders of the corporation of the proceeds from the sale of substantially all of the assets of the corporation referred to in subparagraph (A) of Section 1 of this Article Eighth.

(v) The term “Substantial Part” shall mean more than twenty percent (20%) of the fair market value of the total assets of the entity in question, as reflected on the most recent consolidated balance sheet of such entity existing at the time the stockholders of the corporation would be required to approve or authorize the Business Transaction involving the assets constituting any such Substantial Part.

(vi) In the event of a merger in which the corporation is the surviving corporation, for the purpose of subparagraph (A) of Section 1 of this Article Eighth, the phrase “property, securities or other consideration to be received” shall include, without limitation, Common Stock of the Corporation retained by its stockholders (other than such Related Person).

(vii) The term “Voting Stock” shall mean all outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors, considered for the purpose of this Article Eighth as one class.

(viii) The term “Preferred Stock” shall mean each class or series of capital stock which may from time to time be authorized in or by Article Fourth of the Amended and Restated Certificate of Incorporation which is not designated as “Common Stock”.

(ix) The term “Continuing Director” shall mean a director who either was a member of the Board of Directors of the corporation on April 24, 1986 or who became a director of the corporation subsequent to such date and whose election, or nomination for election by the corporation’s stockholders, was Duly Approved by the Continuing Directors then on the Board either by a specific vote or by approval of the proxy statement issued by the corporation on behalf of the Board of Directors in which such person is named as nominee for director, without due objection to such nomination; provided, however, that in no event shall a director be considered a “Continuing Director” if such director is a Related Person and the Business Transaction to be voted upon is with such Related Person or is one in which such Related Person has an interest (other than only a proportionate interest as a stockholder of the corporation).

(x) The term “Duly Approved by the Continuing Directors” shall mean an action approved by the vote of at least a majority of the Continuing Directors then on the Board, except, if the votes of such Continuing Directors in favor of such action would be insufficient to constitute an act of the Board of Directors (if a vote by the entire Board of Directors were to have been taken), then such term shall mean an action approved by the unanimous vote of the Continuing Directors so long as there are at least three Continuing Directors on the Board at the time of such unanimous vote.

(xi) The term “Affiliate”, used to indicate a relationship to a specified person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person.

(xii) The term “Associate”, used to indicate a relationship with a specified person, shall mean (A) any Corporation, partnership or other organization of which such specified person is an officer or partner (B) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity, (C) any relative or spouse of such specified person, or any relative of such spouse, who has the same home as such specified person or who is a director or officer of the Corporation or any of its subsidiaries, and (D) any person who is a director, officer or partner of such specified person or of any corporation (other than the corporation or any wholly-owned subsidiary of the corporation), partnership or other entity which is an Affiliate of such specified person.

(c) For the purpose of this Article Eighth, so long as Continuing Directors constitute at least two-thirds of the entire Board of Directors, the Board of Directors shall have the power to make a good faith determination, on the basis of information known to them, of: (i) the number of shares of Voting Stock of which any person is the Beneficial Owner, (ii) whether a person is a Related Person or is an Affiliate or Associate of another, (iii) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in the definition of Beneficial Owner herein, (iv) whether the assets subject to any Business Transaction constitute a Substantial Part, (v) whether any Business Transaction is with a Related Person or is one in which a Related Person has an interest (other than only a proportionate interest as a stockholder of the corporation), (vi) whether a Related Person has, directly or indirectly, received the benefits or caused any of the changes referred to in subparagraph (C) of Section 1 of this Article Eighth, and (vii) such other matters with respect to which a determination is required under this Article Eighth; and such determination by the Board of Directors shall be conclusive and binding for all purposes of this Article Eighth.

(d) Nothing contained in this Article Eighth shall be construed to relieve any Related Person of any fiduciary obligation imposed by law.

(e) The fact that any Business Transaction complies with the provisions of Section 1 of this Article Eighth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Transaction or recommend its adoption or approval to the stockholders of the corporation.

(f) Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of this Article Eighth may not be repealed or amended in any respect, unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the Voting Stock.

NINTH: No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article Ninth shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Ninth shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

U.S. Bancorp

Adjustable Rate Cumulative Preferred Stock, Series 1990A

(a) Designation. The designation of the series of Preferred Stock created by this resolution shall be “Adjustable Rate Cumulative Preferred Stock, Series 1990A” (hereinafter referred to as this “Series”) and the number of shares constituting this Series shall be twelve thousand seven hundred fifty (12,750). The number of authorized shares of this Series may be increased or reduced by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction or increase, as the case may be, has been so authorized.

(b) Dividends. (1) Dividend periods (“Dividend Periods”) shall commence on January 1, April 1, July 1, and October 1 in each year and shall end on and include the day next preceding the first day of the next Dividend Period. Such dividends shall be cumulative from the date of original issue of shares of this Series and shall be payable, when and as declared by the Board of Directors or by any duly authorized committee of the Board of Directors of the Corporation, on March 31, June 30, September 30 and December 31 of each year, commencing [insert first dividend payment date]. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by any duly authorized committee of the Board of Directors of the Corporation. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by any duly authorized committee of the Board of Directors of the Corporation.

(2) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the shares of this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the

shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for the then-current dividend payment period and all past dividend payment periods, no dividends (other than a dividend in the Common Stock, par value \$1.25 per share, of the Corporation (the “Common Stock”), or another stock ranking junior to this Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation). Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.

(3) Dividends payable on this Series for each full Dividend Period shall be computed by dividing the dividend rate for such Dividend Period (stated on an annualized basis) by four (4) and applying such rate against the liquidation preference per share of this Series. Dividends payable on this Series for any period less than a full Dividend Period, including the Initial Dividend Period (as defined in Section (c) below), shall be computed on the basis of 30-day months, a 360-day year, and the actual number of days elapsed in the period.

(c) Dividend Rate. (1) The dividend rate on the shares of this Series shall be: (i) for the period (the “Initial Dividend Period”) from the date of original issue thereof to and including [insert first dividend payment date], [insert rate for Initial Dividend Period]% per annum of the liquidation preference thereof (excluding any accrued but unpaid dividends) and (ii) for each Dividend Period thereafter a rate per annum of the liquidation preference thereof (excluding any accrued but unpaid dividends) equal to the Applicable Rate (as defined in paragraph (2) of this Section (c)) in respect of such Dividend Period, in each case, as adjusted as described under paragraph 9 of this Section (c).

(2) Except as provided below in this paragraph, the “Applicable Rate” for any Dividend Period shall be (a) [insert amount]% greater than (b) the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such Dividend Period. If the Corporation determines in good faith that for any reason one or more of such rates cannot be determined for any Dividend Period, then the Applicable Rate for such Dividend Period shall be [insert amount]% greater than the higher of whichever of such rates can be so determined. If the Corporation determines in good faith that for any reason none of such rates can be determined for any Dividend Period, then the Applicable Rate in effect for the preceding Dividend Period shall be continued for such Dividend Period. Anything herein to the contrary notwithstanding, the Applicable Rate for any Dividend Period shall in no event be less than [insert minimum rate]% per annum.

(3) Except as provided below in this paragraph, the “Treasury Bill Rate” for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period (as defined below)) for three-month U.S. Treasury bills, as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum market discount rate during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or any U.S. Government department or agency selected by the Corporation. In the event that a per annum market discount rate for three-month U.S. Treasury bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for all of the U.S. Treasury bills then having maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board or, if the Federal

Reserve Board shall not publish during such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable noninterest bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Treasury Bill Rate for any Dividend Period as provided above in this paragraph, the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(4) Except as provided below in this paragraph, the “Ten Year Constant Maturity Rate” for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (as defined below) (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only such Yield shall be published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall

be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as defined below)) then having maturities of not less than eight nor more than twelve years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Ten Year Constant Maturity Rate for any Dividend Period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(5) Except as provided below in this paragraph, the “Thirty Year Constant Maturity Rate” for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (as defined below) (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury

fixed interest rate securities (other than Special Securities) then having maturities of not less than twenty-eight nor more than thirty years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Thirty Year Constant Maturity Rate for any Dividend Period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(6) The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate shall each be rounded to the nearest five one-hundredths of a percentage point.

(7) For purposes of paragraphs (3) through (6) of this Section (c), the term

(i) "Calendar Period" means 14 calendar days;

(ii) "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount;

(iii) "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and

(iv) "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years).

(8) The Corporation will calculate the Applicable Rate with respect to each Dividend Period as promptly as practicable prior to the commencement thereof according to the appropriate method described herein. The Corporation will cause notice of such Applicable Rate to be enclosed with the dividend payment checks next mailed to the holders of shares of this Series.

(9) If, after the day on which shares of this Series are first issued, one or more amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that change the percentage specified in Section 243(a)(1) of the Code or any successor provision (the “Dividends Received Percentage”), the amount of each dividend payable per share of this Series after the effective date of any such change shall be adjusted by multiplying the amount of dividends determined as described under Section (c)(1) (before adjustment) by a factor, which shall be the number determined in accordance with the following formula, and rounding the result to the nearest cent:

$$\frac{1 - \text{FTR}(1 - \text{OLD})}{1 - \text{FTR}(1 - \text{DRP})}$$

For the purposes of the above formula, “FTR” means the federal income tax rate applicable to corporations under the Code as in effect on the date shares of this Series are first issued, “OLD” means the Dividend Received Percentage as in effect on such date and “DRP” means the Dividends Received Percentage applicable to the dividend in question. Notwithstanding the foregoing provisions, in the event that, with respect to any such amendment, the Corporation shall receive either an unqualified opinion of independent recognized tax counsel or a private letter ruling or similar form of authorization from the Internal Revenue Service to the effect that such an amendment would not apply to dividends payable on this Series, then any such amendment shall not result in the adjustment provided for pursuant to this Section (c)(9). For purposes of these Resolutions, all references to dividends shall mean dividends as adjusted pursuant to the provisions of this Section (c)(9). The Corporation’s calculations of the dividends payable as so adjusted and as certified accurate as to calculation and reasonable as to method by the independent certified public accountants then regularly engaged by the Corporation, shall be final and not subject to review.

In the event that the amount of dividends payable per share of this Series shall be adjusted pursuant to the provisions of the foregoing paragraph, the Corporation shall cause notice of each such adjustment, together with the Applicable Rate with respect to such dividend, to be included with the dividend payment checks next mailed to the holders of this Series, each as provided in Section (c)(8) of these Resolutions.

(d) Redemption.

(1) Except as set forth in Section (d)(2), the shares of this Series shall not be redeemable prior to the date that is the tenth anniversary of the day on which shares of this Series are first issued. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time on or after such date, at a redemption price equal to the aggregate liquidation value of the shares so redeemed, plus, in each case, accrued and unpaid dividends thereon to the date fixed for redemption.

(2) Notwithstanding the provisions of Section (d)(1), in the event that an amendment to the Code is enacted that would effect a change in the Dividends Received Percentage so as to result in the amount of dividend payable being adjusted upward pursuant to Section (c)(9), the Corporation, at its option, may redeem the issued and outstanding shares of this Series as a whole, at any time after the effective date of any such change in the Dividends Received Percentage, at a redemption price of \$100,000 per share, plus, in each case, an amount equal to accrued and unpaid dividends (whether or not declared) to the date fixed for redemption.

(3) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation or by any other method as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

(4) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

(5) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the applicable redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the applicable redemption price) shall cease. Upon surrender in

accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(6) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation.

(7) Notwithstanding the foregoing provisions of this Section (d), in the event that full cumulative dividends on the shares of this Series have not been paid, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or acquire any shares of this Series otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of outstanding shares of this Series.

(e) Conversion or Exchange. The holders of shares of this Series shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

(f) Voting Rights. The shares of this Series shall not have any voting powers either general or special, except as expressly required by applicable law and except that:

(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of this Series at the time outstanding, voting separately as a class, shall be required to authorize any amendment of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any certificate of designation or any similar document relating to any series of Preferred Stock) which will adversely affect the powers, preferences, privileges or rights of this Series;

(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of this Series and all other series of shares of Preferred Stock ranking on a parity with the shares of this Series, either as to dividends or upon liquidation, at the time outstanding, voting as a single class without regard to series, shall be required to issue, authorize or increase the authorized amount of, or to issue or authorize any obligation or security convertible into or evidencing the right to purchase, any additional class or series of stock ranking prior to the shares of this Series as to dividends or upon liquidation; and

(3) If at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the shares of this Series shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by one, and the holders of the shares of this Series shall have the right at such meeting, voting together as a single class, to the exclusion of the holders of Common Stock, to elect one director of the Corporation to fill such newly created directorship. Such right shall continue until there are no dividends in arrears upon the shares of this Series. Each director elected by the holders of shares of this Series (herein called a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of this Series, voting together as a single class, at a meeting of the stockholders, or of the holders of shares of this Series, called for the purpose. So long as a default in any preference dividends on the shares of this Series shall exist any vacancy in the office of a Preferred Director may be filled by the vote of the holders of the outstanding shares of this Series voting together as a single class, at a meeting of the stockholders or of the holders of shares of this Series called for the purpose. Whenever the term of office of the Preferred Director shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by one. For the purposes hereof, a "default in preference dividends" on the shares of this Series shall be deemed to have occurred whenever the amount of accrued but unpaid dividends on such shares shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all such shares then outstanding shall have been paid to the end of the last preceding dividend period. Notwithstanding anything contained in this Certificate of Designation or any other Certificate of Designation, whether currently in effect or adopted hereafter, or the Certificate of Incorporation, as amended from time to time, to the contrary, the holders of shares of this Series shall not be entitled to vote for the election of directors except as set forth in this Section (f)(3).

(g) Liquidation Rights.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of this Series shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution of assets shall be made on the Common Stock or on any other class of stock of the Corporation ranking junior to this Series upon liquidation, the amount of \$100,000 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(2) For the purposes of this Section (g), a voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall not include the consolidation or merger of the Corporation with or into any other corporation, or any sale, lease or conveyance of all or any part of the property or business of the Corporation.

(3) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (g), the holders of this Series as such shall not be entitled to any further participation in any distribution of assets of the Corporation.

(4) If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to the holders of shares of this Series and of any other shares of stock of the Corporation ranking on a parity with this Series upon liquidation shall not be sufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (g), the holders of shares of this Series and of such other shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled.

(h) Relative Rank. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(1) Prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

(2) On a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of

such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

(3) Junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

The outstanding shares of the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1983A, the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1989A, the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1989B and the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1990B shall be deemed to rank on a parity with the outstanding shares of this Series with respect to the payment of dividends and upon liquidation. The Series A Junior Participating Preferred Stock shall be deemed to rank junior to this Series with respect to the payment of dividends and upon liquidation.

U.S. Bancorp

8 1/8% Cumulative Preferred Stock, Series A

Section 1. Designation and Amount. The shares of the series shall be designated as the 8 1/8% Cumulative Preferred Stock, Series A (the “Series”), and the number of shares constituting the Series shall be 6,000,000. The number of shares constituting the Series may be decreased from time to time by action of the Board, but not below the number of shares of the Series then outstanding. The Series shall rank senior to the common stock, par value \$1.25 per share (“Common Stock”), of the Corporation and on a parity with the Adjustable Rate Cumulative Preferred Stock, Series 1990A, par value \$1.00 per share, of the Corporation, as to dividends and upon liquidation.

Section 2. Dividends.

(a) Right to Receive Cash Dividends. The holders of shares of the Series shall be entitled to receive when, as and if declared by the Board out of assets legally available therefor, cumulative cash dividends, payable quarterly in arrears on the fifteenth day of February, May, August and November of each year (each quarterly period ending on any such date being hereinafter referred to as a “dividend period”) commencing on the First Payment Date (as defined below) at the rate per annum set forth in Section 2(b). Each such dividend shall be paid to the holders of record of shares of the Series as they appear on the stock books of the Corporation on such record dates, not exceeding 45 days preceding the dividend payment dates therefor, as shall be fixed by the Board. Dividends on shares of the Series shall be cumulative from the date of original issuance of the shares of 8 1/8% Cumulative Preferred Stock, Series A (the “Old Shares”), of U. S. Bancorp, an Oregon corporation (“Old USB”) from which the Series shares are converted in the merger (the “Merger”) of Old USB and the Corporation and shall include any arrearage on the Old Shares whether or not there shall be assets legally available for the payment of such dividends; *provided*, that if Old USB shall have set a record date with respect to the Old Shares which record date is prior to the effective date of the Merger for a dividend payment date after the effective date of the Merger, dividends in respect of the Old Shares shall be deemed to accrue to such dividend payment date notwithstanding the intervening occurrence of the Merger, and no dividends shall accrue on the shares of the Series until the first date following such dividend payment date.

The “First Payment Date” shall be (i) if Old USB shall have set a record date with respect to the Old Shares which record date is prior to the effective date of the Merger for a dividend payment date after the effective date of the Merger, the next succeeding dividend payment date

following such dividend payment date; *provided*, that the Corporation shall pay the dividend declared on the Old Shares to the holders of record of Old Shares as of such record date or (ii) if no such record date shall have been set by Old USB, the first dividend payment date after the effective date of the Merger (it being the intention that no dividend shall be payable with respect to both the Old Shares and the shares of the Series with respect to the same period of time or that any loss of dividends result from the conversion of Old Shares into shares of the Series).

(b) Rate. The dividend rate per annum on the shares of the Series shall be 8 1/8% of the liquidating preference of \$25 per share.

(c) Restrictions. No full dividends shall be declared or paid or set aside for payment on any stock of the Corporation ranking, as to dividends, on a parity with or junior to the Series for any period unless full cumulative dividends on the Series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set aside for such payment on the Series for all dividend periods terminating on or prior to the date of payment of such dividends. When dividends are not paid in full on the Series and any other preferred stock of the Corporation ranking on a parity as to dividends with the Series, all dividends declared or paid upon shares of the Series and such other preferred stock shall be declared and paid pro rata so that the amount of dividends declared and paid per share on the Series and such other preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share (which in the case of noncumulative preferred stock shall not include any accumulation in respect of unpaid dividends for prior dividend periods) on shares of the Series and such other preferred stock bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on the Series have been paid or declared and set aside for payment, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock or any other stock of the Corporation ranking junior to the Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or any other distribution declared or made upon the Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Series as to dividends or upon liquidation. No Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Series as to dividends or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (and no moneys shall be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on the Series shall have been paid or declared and set aside for payment. Holders of shares of the Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the full dividends on such shares. No interest shall be payable in respect of any dividend payment which may be in arrears on the Series.

(d) Computation. Dividends payable on shares of the Series (i) for any period other than a full dividend period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and (ii) for each full dividend period, shall be computed by dividing the annual dividend rate by four. Any dividend payment made on shares of the Series shall first be credited against the earliest accumulated but unpaid dividend due with respect to shares of the Series.

Section 3. Redemption.

(a) Redemption Prices and Dates. The Corporation at its option may redeem shares of the Series, at any time or from time to time, on or after July 23, 1997, at a cash redemption price of \$25 per share plus an amount equal to any accrued and unpaid dividends (including any accumulated dividends) thereon to and including the date fixed for redemption (the "Redemption Price").

Notwithstanding the foregoing, if at the time the Corporation proposes to give a notice of redemption pursuant to Section 3(d), the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), or a successor Federal agency responsible for supervision of bank holding companies under the Bank Holding Company Act of 1956, as amended, requires that, in order to be counted as "Tier 1" or "core" capital for capital adequacy purposes, bank holding company preferred stock may not be redeemed without the prior approval of the Federal Reserve Board or such successor agency, then the Corporation may not redeem any shares of the Series or give a notice of redemption unless the Federal Reserve Board or such successor agency shall have consented to such redemption.

(b) Pro Rata Redemption. If fewer than all the outstanding shares of the Series are to be redeemed, the shares to be redeemed shall be selected pro rata as nearly as practicable or by lot as may be determined by the Board or by any other method as the Board may determine to be fair and appropriate.

(c) Restrictions on Redemption. Notwithstanding the foregoing, if any quarterly dividend payable on shares of the Series shall be in arrears and until all such dividends in arrears shall have been paid or declared and a sum sufficient for the payment thereof set aside for payment, the Corporation shall not redeem any shares of the Series unless all outstanding shares of the Series are simultaneously redeemed and

shall not purchase or otherwise acquire any shares of the Series except pursuant to a purchase or exchange offer made on the same terms to all holders of shares of the Series for the purchase of all outstanding shares thereof.

(d) Notice. Notice of any redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date to each record holder of the shares to be redeemed at the address of such holder appearing in the stock books of the Corporation. Each such notice shall state: (1) the redemption date, (2) the number of shares of the Series to be redeemed, (3) the Redemption Price, (4) that dividends on the shares to be redeemed shall cease to accrue on such redemption date and (5) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price. If fewer than all the shares of the Series held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares to be redeemed from such holder.

(e) Cessation of Dividends. If notice of redemption has been given, from and after the redemption date for the shares of the Series called for redemption (unless default shall be made by the Corporation in providing for the payment of the Redemption Price of the shares so called for redemption), dividends on the shares of the Series so called for redemption shall cease to accrue and such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof (except the right to receive the Redemption Price) shall cease. Upon surrender in accordance with such notice of the certificates representing any shares of the Series so redeemed (properly endorsed or assigned for transfer, if the Board shall so require and the notice shall so state), the applicable Redemption Price shall be paid out of funds provided by the Corporation. If fewer than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(f) Status of Redeemed and Reacquired Shares. Shares of the Series which have been redeemed or otherwise acquired by the Corporation shall be retired and canceled and shall be restored to the status of authorized but unissued shares of preferred stock, par value \$1.00 per share, without designation as to series, and may thereafter be issued, but not as shares of the Series.

Section 4. Liquidation Rights.

(a) Payment on Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of the Series shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, before

any distribution of assets is made to holders of the Common Stock or any other class or series of stock of the Corporation ranking junior to the Series upon liquidation, a liquidating distribution in an amount equal to \$25 per share plus an amount equal to any accrued and unpaid dividends (including any accumulated dividends) thereon to and including the date of such distribution. If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to the holders of shares of the Series and any other preferred stock of the Corporation ranking as to any such distribution on a parity with the Series shall be insufficient to pay in full all amounts to which such holders are entitled, the holders of shares of the Series and other preferred stock shall share ratably in such distribution of assets of the Corporation in proportion to the sums that would be payable to such holders if all sums were paid in full. After payment of the full amount of the liquidation distribution plus accrued and unpaid dividends to which they are entitled, the holders of shares of the Series shall have no right or claim to any of the remaining assets of the Corporation.

(b) Definition. None of the consolidation or merger of the Corporation into or with another corporation or corporations, or the sale, lease or exchange of all or substantially all of the Corporation's assets, shall be deemed a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4.

Section 5. Voting Rights.

(a) Generally. Except as hereinafter provided or as expressly required by applicable law, the holders of shares of the Series will not be entitled to vote. When holders of shares of the Series are entitled to vote, each holder shall be entitled to one vote per share.

(b) Arrearages. If at any time the equivalent of six quarterly dividends, whether or not consecutive, payable on the Series are unpaid or not declared and set aside for payment, the number of directors of the Corporation shall be increased by two and the holders of shares of the Series outstanding at the time (voting separately as a single class with the holders of shares of any one or more series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable) shall have the right to elect two directors to serve as such until all arrearages of dividends on the Series have been paid or declared and set aside for payment at which time the terms of office of the two directors so elected shall terminate and the number of directors of the Corporation shall be reduced by two (subject to any additional rights as to the election of directors provided for the holders of shares of

other preferred stock of the Corporation). Any director so elected may be removed by, and shall not be removed except by, the vote of the holders of shares of the Series outstanding at the time (voting separately as a single class with the holders of shares of any one or more series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable).

(c) Certain Corporate Actions. So long as any shares of the Series remain outstanding, the Corporation shall not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series and of any other similarly affected series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable outstanding at the time (voting separately as a single class without regard to series), given in person or by proxy, either in writing or at a meeting, (i) authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking prior to the Series as to dividends or upon liquidation or (ii) amend, alter or repeal, whether by merger or otherwise, the provisions of the Certificate so as to materially and adversely affect any of the preferences, limitations, and relative rights of the Series; provided, however, that any increase in the amount of the authorized preferred stock of the Corporation or the creation and issuance of other series of preferred stock of the Corporation, in each case ranking on a parity with or junior to the Series as to dividends or upon liquidation, will not be deemed to materially and adversely affect such preferences, limitations and relative rights. Without limiting the foregoing, under any circumstances in which the Series would have additional rights under Oregon law if the Corporation were incorporated under the Oregon Business Corporation Act (rather than the Delaware General Corporation Law), holders of shares of the Series shall be entitled to such rights, including, without limitation, voting rights under Section 60.441, voting and notice rights under Section 60.487 and dissenters' rights under Sections 60.551-60.594 of the Oregon Business Corporation Act (as such Sections may be amended from time to time).

Section 6. No Sinking Fund. Shares of the Series are not subject to a sinking fund or other obligation of the Corporation to redeem or retire the Series.

CERTIFICATE OF MERGER
MERGER
OF
FIRSTAR CORPORATION
A WISCONSIN CORPORATION,
INTO
U.S. BANCORP
A DELAWARE CORPORATION
UNDER SECTION 252 OF THE GENERAL
CORPORATION LAW OF THE STATE OF DELAWARE

U.S. Bancorp hereby certifies that:

1. The name and state of incorporation of each of the constituent corporations are:

- (a) U.S. Bancorp, a Delaware corporation; and
- (b) Firststar Corporation, a Wisconsin corporation.

2. An agreement and plan of merger (the "Merger Agreement") has been approved, adopted, certified, executed and acknowledged by each of U.S. Bancorp and Firststar Corporation in accordance with the provisions of Section 252 of the General Corporation Law of the State of Delaware.

3. The name of the surviving corporation is U.S. Bancorp.

4. The certificate of incorporation of the surviving corporation shall be the certificate of incorporation of U.S. Bancorp as in effect as of the date hereof, except that

the first sentence of Article Fourth thereof shall be amended at the effective time of the merger to read in its entirety as follows:

“The total number of shares of all classes of stock which the corporation shall have the authority to issue is 4,050,000,000, consisting of 50,000,000 shares of Preferred Stock of the par value of \$1.00 each and 4,000,000,000 shares of Common Stock of the par value of \$.01 each,”

5. The surviving corporation is a corporation organized under the General Corporation Law of the State of Delaware.

6. The executed Merger Agreement is on file at the office of U.S. Bancorp, U.S. Bank Place, 601 Second Avenue South, Minneapolis, Minnesota 55402.

7. A copy of the Merger Agreement will be furnished by U.S. Bancorp, on request and without cost, to any stockholder of U.S. Bancorp or Firststar Corporation.

8. The authorized capital stock of Firststar Corporation as of the date hereof consists of (a) 2,000,000,000 shares of common stock, \$0.01 par value per share, and (b) 10,000,000 shares of preferred stock, \$1.00 par value per share.

9. This Certificate of Merger shall become effective at 12:01 a.m., Eastern Daylight Time on February 27, 2001.

IN WITNESS WHEREOF, U.S. Bancorp, the surviving corporation, has caused this certificate to be signed by James L. Chosy, its authorized officer, on the 26th day of February, 2001.

U.S. BANCORP

/s/ James L. Chosy
James L. Chosy
Vice President, Associate General Counsel and Secretary

CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
U.S. BANCORP

The Restated Certificate of Incorporation of U.S. Bancorp is hereby amended in the following respects:

1. The last paragraph of Article SIXTH is hereby deleted in its entirety.
2. Article EIGHTH is hereby deleted in its entirety.
3. Article NINTH is hereby renumbered to become Article EIGHTH and all references to “Article NINTH” are hereby changed to “Article EIGHTH.”

The undersigned hereby certifies that such amendments have been duly adopted in accordance with Section 242 of the Delaware General Corporation Law by the stockholders of U.S. Bancorp at a meeting duly called and held on April 19, 2005. Except as otherwise set forth herein, the provisions of the Restated Certificate of Incorporation of U.S. Bancorp remain unmodified and in full force and effect.

IN WITNESS WHEREOF, U.S. Bancorp has caused this certificate to be executed by Laura F. Bednarski, its Vice President and Assistant Secretary, on the 5th day of May, 2005.

/s/ Laura F. Bednarski

Laura F. Bednarski

Vice President and Assistant Secretary

CERTIFICATE OF DESIGNATIONS
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
U.S. BANCORP
(Pursuant to Section 151 of the
Delaware General Corporation Law)

U.S. Bancorp, a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on February 27, 2001:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$1.00 per share, of the Corporation (the "Preferred Stock"), and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 4,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose,

quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common

Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Chairman of the Board and attested by its Secretary this 27th day of February, 2001.

/s/ David M. Moffet
Name: David M. Moffet
Title: Vice Chairman and Chief Financial Officer

Attest:

/s/ Jennie Carlson
Secretary

CERTIFICATE OF DESIGNATIONS
OF
SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK
OF
U.S. BANCORP

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

U.S. Bancorp, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. On January 31, 2006, the Credit and Finance Committee (the "Committee") of the Board of Directors of the Corporation (the "Board"), at a meeting duly convened and held by the Committee, pursuant to authority conferred upon the Committee by resolutions of the Board adopted at a meeting duly convened and held on January 21, 2003, and by Section 141(c)(2) of the General Corporation Law of the State of Delaware, duly adopted resolutions establishing the terms of the Corporation's Series A Non-Cumulative Perpetual Preferred Stock, \$100,000 liquidation preference per share (the "Preferred Stock"), and authorized a sub-committee of the Committee (the "Subcommittee") to act on behalf of the Committee in establishing the dividend rate for the Preferred Stock.

2. Thereafter, on March 14, 2006, the Subcommittee duly adopted the following resolution by written consent:

"RESOLVED, that the designations, and certain other preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Preferred Stock, including those established by the Committee and the dividend rate established hereby, are as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice Chairman and Chief Financial Officer this 16th day of March, 2006.

U.S. BANCORP

/s/ David M. Moffett

Name: David M. Moffett

Title: Vice Chairman and Chief Financial Officer

EXHIBIT A
TO
CERTIFICATE OF DESIGNATIONS
OF

SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK

Section 1. Designation. The designation of the series of Preferred Stock created by this resolution shall be Series A Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series A Preferred Stock*”). Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock. Series A Preferred Stock will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 2. Number of Shares. The number of authorized shares of Series A Preferred Stock shall be 20,010. Such number may from time to time be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized. The Corporation shall have the authority to issue fractional shares of Series A Preferred Stock.

Section 3. Definitions. As used herein with respect to Series A Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in Minneapolis, Minnesota, New York, New York or Wilmington, Delaware are not authorized or obligated by law, regulation or executive order to close.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation hereafter authorized over which Series A Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

CERTIFICATE OF DESIGNATION

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means any other class or series of stock of the Corporation that ranks on a par with Series A Preferred Stock in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Preferred Director*” shall have the meaning set forth in Section 7 hereof.

“*Series A Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Telerate Page 3750*” means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Three-Month LIBOR*” means, with respect to any Dividend Period, the rate (expressed as a percentage *per annum*) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day preceding the first day of that Dividend Period. If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 A.M., London time on the second London Banking Day preceding the first day of that Dividend Period. U.S. Bank National Association, or such other bank as may be acting as calculation agent for the Corporation, will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the calculation agent, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if the banks selected by the calculation agent to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had Series A Preferred Stock been outstanding. The calculation agent’s establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series A Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends.

(a) Rate. Holders of Series A Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly

CERTIFICATE OF DESIGNATION

authorized committee of the Board of Directors of the Corporation , but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$100,000 per share of Series A Preferred Stock, and no more, payable on the following dates: (1) if the Series A Preferred Stock is issued prior to April 15, 2011, semi-annually in arrears on each April 15 and October 15 through April 15, 2011, and (2) from and including the later of April 15, 2011 and the date of issuance, quarterly in arrears on each July 15, October 15, January 15 and April 15; *provided, however*, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series A Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series A Preferred Stock will accrue on the liquidation preference of \$100,000 per share (i) to but not including the Dividend Payment Date in April 2011 at a rate *per annum* equal to 6.189%, and (ii) thereafter for each related Dividend Period at a rate *per annum* equal to the greater of (x) Three-Month LIBOR plus 1.02% or (y) 3.50%. The record date for payment of dividends on the Series A Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable for any period prior to the later of the Dividend Payment Day in April 2011 and the date of original issuance of the Series A Preferred Stock shall be computed on the basis of a 360-day year consisting of twelve 30-day months and dividends for periods thereafter shall be computed on the basis of a 360-day year and the actual number of days elapsed.

(b) Non-Cumulative Dividends. Dividends on shares of Series A Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series A Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series A Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series A Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

(c) Priority of Dividends. So long as any share of Series A Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series A Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series A Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof

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set aside. The foregoing shall not restrict the ability of the Corporation, or any affiliate of the Corporation, to engage in any market-making transactions in the Junior Stock or Parity Stock in the ordinary course of business. When dividends are not paid in full upon the shares of Series A Preferred Stock and any Parity Stock, all dividends declared upon shares of Series A Preferred Stock and any Parity Stock shall be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current Dividend Period per share on Series A Preferred Stock, and accrued dividends, including any accumulations on Parity Stock, bear to each other. No interest will be payable in respect of any dividend payment on shares of Series A Preferred Stock that may be in arrears. If the Board of Directors of the Corporation determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide, or cause to be provided, written notice to the holders of the Series A Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any funds legally available therefor, and the shares of Series A Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series A Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series A Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$100,000 per share, plus any authorized, declared and unpaid dividends for the then-current Dividend Period to the date of liquidation. The holder of Series A Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay in full the liquidation preference to all holders of Series A Preferred Stock and the liquidation preferences of any Parity Stock to all holders of such Parity Stock, the amounts paid to the holders of Series A Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences of Series A Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the liquidation preference has been paid in full to all holders of Series A Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up

CERTIFICATE OF DESIGNATION

of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 6. Redemption.

(a) Optional Redemption. So long as full dividends on all outstanding shares of Series A Preferred Stock for the then-current Dividend Period have been paid or declared and a sum sufficient for the payment thereof set aside, the Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem in whole or in part the shares of Series A Preferred Stock at the time outstanding, at any time on or after the later of the Dividend Payment Date in April 2011 and the date of original issuance of the Series A Preferred Stock, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series A Preferred Stock shall be \$100,000 per share plus dividends that have been declared but not paid plus accrued and unpaid dividends for the then-current Dividend Period to the redemption date.

(b) Notice of Redemption. Notice of every redemption of shares of Series A Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Notwithstanding the foregoing, if the Series A Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series A Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series A Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed by such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

(c) Partial Redemption. In case of any redemption of only part of the shares of Series A Preferred Stock at the time outstanding, the shares of Series A Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series A Preferred Stock in proportion to the number of Series A Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series A Preferred Stock shall be redeemed from time to time.

CERTIFICATE OF DESIGNATION

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all assets necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the “*Depository Company*”) in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depository Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

Section 7. Voting Rights. The holders of Series A Preferred Stock will have no voting rights and will not be entitled to elect any directors, except as expressly provided by law.

Section 8. Conversion. The holders of Series A Preferred Stock shall not have any rights to convert such Series A Preferred Stock into shares of any other class of capital stock of the Corporation.

Section 9. Rank. Notwithstanding anything set forth in the Certificate of incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series A Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or any class of securities ranking senior to the Series A Preferred Stock as to dividends and upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 10. Repurchase. Subject to the limitations imposed herein, the Corporation may purchase and sell Series A Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; *provided, however*, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

Section 11. Unissued or Reacquired Shares. Shares of Series A Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or

CERTIFICATE OF DESIGNATION

acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

Section 12. No Sinking Fund. Shares of Series A Preferred Stock are not subject to the operation of a sinking fund.

CERTIFICATE OF DESIGNATION

CERTIFICATE OF DESIGNATIONS
OF
SERIES B NON-CUMULATIVE PERPETUAL PREFERRED STOCK
OF
U.S. BANCORP

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

U.S. Bancorp, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. On March 17, 2006, the Credit and Finance Committee (the "Committee") of the Board of Directors of the Corporation (the "Board"), pursuant to authority conferred upon the Committee by resolutions of the Board adopted at a meeting duly convened and held on January 21, 2003, and by Section 141(c)(2) of the General Corporation Law of the State of Delaware, duly adopted resolutions by unanimous written consent establishing the terms of the Corporation's Series B Non-Cumulative Perpetual Preferred Stock, \$25,000 liquidation preference per share (the "Series B Preferred Stock"), and authorized a sub-committee of the Committee (the "Subcommittee") to act on behalf of the Committee in establishing the number of authorized shares and the dividend rate for the Series B Preferred Stock.

2. Thereafter, on March 22, 2006, the Subcommittee duly adopted the following resolution by written consent:

"RESOLVED, that the designations, and certain other preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Series B Preferred Stock, including those established by the Committee and the dividend rate established hereby, are as set forth in Exhibit A hereto, which is incorporated herein by reference."

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice Chairman and Chief Financial Officer this 24th day of March, 2006.

U.S. BANCORP

/s/ David M. Moffett

Name: David M. Moffett

Title: Vice Chairman and Chief Financial Officer

EXHIBIT A
TO
CERTIFICATE OF DESIGNATION
OF
SERIES B NON-CUMULATIVE PERPETUAL PREFERRED STOCK
OF
U.S. BANCORP

Section 1. Designation. The designation of the series of preferred stock shall be Series B Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series B Preferred Stock*”). Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock. Series B Preferred Stock will rank equally with Parity Stock, if any, and will rank senior to Junior Stock with respect to the payment of dividends and the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 2. Number of Shares. The number of authorized shares of Series B Preferred Stock shall be 40,000. Such number may from time to time be increased (but not in excess of the total number of authorized shares of preferred stock) or decreased (but not below the number of shares of Series B Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction, as the case may be, has been so authorized. The Corporation shall have the authority to issue fractional shares of Series B Preferred Stock.

Section 3. Definitions. As used herein with respect to Series B Preferred Stock:

“*Business Day*” means each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions are not authorized or obligated by law, regulation or executive order to close in New York, New York.

“*Depository Company*” shall have the meaning set forth in Section 6(d) hereof.

“*Dividend Payment Date*” shall have the meaning set forth in Section 4(a) hereof.

“*Dividend Period*” shall have the meaning set forth in Section 4(a) hereof.

“*DTC*” means The Depository Trust Company, together with its successors and assigns.

“*Junior Stock*” means the Corporation’s common stock and any other class or series of stock of the Corporation hereafter authorized over which Series B Preferred Stock has

preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*London Banking Day*” means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

“*Parity Stock*” means any other class or series of stock of the Corporation that ranks on a par with Series B Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

“*Preferred Director*” shall have the meaning set forth in Section 7 hereof.

“*Series B Preferred Stock*” shall have the meaning set forth in Section 1 hereof.

“*Telerate Page 3750*” means the display page so designated on the Moneyline/Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered Rate for U.S. dollar deposits).

“*Three-Month LIBOR*” means, with respect to any Dividend Period, the offered rate (expressed as a percentage *per annum*) for deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time) on the second London Banking Day immediately preceding the first day of that Dividend Period. If such rate does not appear on Telerate Page 3750, Three-Month LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market selected by the Corporation, at approximately 11:00 A.M., London time on the second London Banking Day immediately preceding the first day of that Dividend Period. U.S. Bank National Association, or such other bank as may be acting as calculation agent for the Corporation, will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of such quotations. If fewer than two quotations are provided, Three-Month LIBOR with respect to that Dividend Period will be the arithmetic mean (rounded upward if necessary to the nearest .00001 of 1%) of the rates quoted by three major banks in New York City selected by the Corporation, at approximately 11:00 a.m., New York City time, on the first day of that Dividend Period for loans in U.S. dollars to leading European banks for a three-month period commencing on the first day of that Dividend Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are not quoting as described above, Three-Month LIBOR for that Dividend Period will be the same as Three-Month LIBOR as determined for the previous Dividend Period, or in the case of the first Dividend Period, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had Series B Preferred Stock been outstanding. The calculation agent’s establishment of Three-Month LIBOR and calculation of the amount of dividends for each Dividend Period will be on file at the principal offices of the Corporation, will be made available to any holder of Series B Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends.

(a) Rate. Holders of Series B Preferred Stock shall be entitled to receive, if, as and when declared by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation, but only out of assets legally available therefor, non-cumulative cash dividends on the liquidation preference of \$25,000 per share of Series B Preferred Stock, and no more, payable quarterly in arrears on each January 15, April 15, July 15 and October 15; *provided, however*, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of such delay) (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series B Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” Dividends on each share of Series B Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate *per annum* equal to the greater of (i) Three-Month LIBOR plus 0.60% or (ii) 3.50%. The record date for payment of dividends on the Series B Preferred Stock shall be the last Business Day of the calendar month immediately preceding the month during which the Dividend Payment Date falls. The amount of dividends payable shall be computed on the basis of a 360-day year and the actual number of days elapsed.

(b) Non-Cumulative Dividends. Dividends on shares of Series B Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series B Preferred Stock on any Dividend Payment Date are not declared and paid, in full or otherwise, on such Dividend Payment Date, then such unpaid dividends shall not cumulate and shall cease to accrue and be payable and the Corporation shall have no obligation to pay, and the holders of Series B Preferred Stock shall have no right to receive, dividends accrued for such Dividend Period after the Dividend Payment Date for such Dividend Period or interest with respect to such dividends, whether or not dividends are declared for any subsequent Dividend Period with respect to Series B Preferred Stock, Parity Stock, Junior Stock or any other class or series of authorized preferred stock of the Corporation.

(c) Priority of Dividends. So long as any share of Series B Preferred Stock remains outstanding, (i) no dividend shall be declared or paid or set aside for payment and no distribution shall be declared or made or set aside for payment on any Junior Stock, other than a dividend payable solely in Junior Stock, (ii) no shares of Junior Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of Junior Stock for or into Junior Stock, or the exchange or conversion of one share of Junior Stock for or into another share of Junior Stock, and other than through the use of the proceeds of a substantially contemporaneous sale of other shares of Junior Stock), nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by the Corporation and (iii) no shares of Parity Stock shall be repurchased, redeemed or otherwise acquired for consideration by the Corporation otherwise than pursuant to *pro rata* offers to purchase all, or a *pro rata* portion, of the Series B Preferred Stock and such Parity Stock except by conversion into or exchange for Junior Stock, in each case unless full dividends on all outstanding shares of Series B Preferred Stock for the then-current Dividend Period have been paid in full or declared and a sum sufficient for the payment thereof set aside. When dividends are not paid in full upon the shares of Series B Preferred Stock and any Parity Stock, all dividends declared upon shares of Series B Preferred Stock and any Parity Stock shall be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current Dividend Period

per share on Series B Preferred Stock, and accrued dividends, including any accumulations on Parity Stock, bear to each other. No interest will be payable in respect of any dividend payment on shares of Series B Preferred Stock that may be in arrears. If the Board of Directors of the Corporation determines not to pay any dividend or a full dividend on a Dividend Payment Date, the Corporation will provide, or cause to be provided, written notice to the holders of the Series B Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may be declared and paid on any Junior Stock from time to time out of any assets legally available therefor, and the shares of Series B Preferred Stock shall not be entitled to participate in any such dividend.

Section 5. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, holders of Series B Preferred Stock shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Corporation may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series B Preferred Stock upon liquidation and the rights of the Corporation's depositors and other creditors, to receive in full a liquidating distribution in the amount of the liquidation preference of \$25,000 per share, plus any authorized, declared and unpaid dividends, without accumulation of any undeclared dividends, to the date of liquidation. The holder of Series B Preferred Stock shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation other than what is expressly provided for in this Section 5.

(b) Partial Payment. If the assets of the Corporation are not sufficient to pay in full the liquidation preference plus any authorized, declared and unpaid dividends to all holders of Series B Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series B Preferred Stock and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidation preferences plus any authorized, declared and unpaid dividends of Series B Preferred Stock and all such Parity Stock.

(c) Residual Distributions. If the liquidation preference plus any authorized, declared and unpaid dividends has been paid in full to all holders of Series B Preferred Stock and all holders of any Parity Stock, the holders of Junior Stock shall be entitled to receive all remaining assets of the Corporation according to their respective rights and preferences.

(d) Merger, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Corporation shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, nor shall the merger, consolidation or any other business combination transaction of the Corporation into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Corporation be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation.

Section 6. Redemption.

(a) Optional Redemption. The Corporation, at the option of its Board of Directors or any duly authorized committee of the Board of Directors of the Corporation, may redeem in whole or in part the shares of Series B Preferred Stock at the time outstanding, at any time on or after the Dividend Payment Date in April 2011, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series B Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid.

(b) Notice of Redemption. Notice of every redemption of shares of Series B Preferred Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of such shares to be redeemed at their respective last addresses appearing on the stock register of the Corporation. Such mailing shall be at least 30 days and not more than 60 days before the date fixed for redemption. Notwithstanding the foregoing, if the Series B Preferred Stock is held in book-entry form through DTC, the Corporation may give such notice in any manner permitted by DTC. Any notice mailed as provided in this Section 6(b) shall be conclusively presumed to have been duly given, whether or not the holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any holder of shares of Series B Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series B Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series B Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed by such holder; (iii) the redemption price; (iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

(c) Partial Redemption. In case of any redemption of only part of the shares of Series B Preferred Stock at the time outstanding, the shares of Series B Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series B Preferred Stock in proportion to the number of Series B Preferred Stock held by such holders or by lot or in such other manner as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine to be fair and equitable. Subject to the provisions of this Section 6, the Board of Directors of the Corporation, the Committee or any duly authorized committee of the Board of Directors shall have full power and authority to prescribe the terms and conditions upon which shares of Series B Preferred Stock shall be redeemed from time to time.

(d) Effectiveness of Redemption. If notice of redemption has been duly given and if on or before the redemption date specified in the notice all funds necessary for the redemption have been set aside by the Corporation, separate and apart from its other assets, in trust for the *pro rata* benefit of the holders of the shares called for redemption, so as to be and continue to be available therefor, or deposited by the Corporation with a bank or trust company selected by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors (the "*Depository Company*") in trust for the *pro rata* benefit of the holders of the shares called for redemption, then, notwithstanding that any certificate for any share so called for redemption has not been surrendered for cancellation, on and after the redemption date all shares so called for redemption shall cease to be outstanding, all dividends with respect to such shares shall cease to accrue after such redemption date, and all rights with respect to such shares shall forthwith on such redemption date cease and terminate, except only the right of the holders

thereof to receive the amount payable on such redemption from such bank or trust company at any time after the redemption date from the funds so deposited, without interest. The Corporation shall be entitled to receive, from time to time, from the Depositary Company any interest accrued on such funds, and the holders of any shares called for redemption shall have no claim to any such interest. Any funds so deposited and unclaimed at the end of three years from the redemption date shall, to the extent permitted by law, be released or repaid to the Corporation, and in the event of such repayment to the Corporation, the holders of record of the shares so called for redemption shall be deemed to be unsecured creditors of the Corporation for an amount equivalent to the amount deposited as stated above for the redemption of such shares and so repaid to the Corporation, but shall in no event be entitled to any interest.

Section 7. Voting Rights. The holders of Series B Preferred Stock will have no voting rights and will not be entitled to elect any directors, except as expressly provided by law and except that:

(a) Supermajority Voting Rights—Amendments. Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares the Series B Preferred Stock at the time outstanding, voting separately as a class, shall be required to authorize any amendment of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any certificate of designation or any similar document relating to any series of preferred stock) which will materially and adversely affect the powers, preferences, privileges or rights of the Series B Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series B Preferred Stock or authorized preferred stock of the Corporation or the creation and issuance, or an increase in the authorized or issued amount, of other series of preferred stock ranking equally with and/or junior to the Series B Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon liquidation, dissolution or winding up of the Corporation will not be deemed to adversely affect the powers, preferences, privileges or rights of the Series B Preferred Stock.

(b) Supermajority Voting Rights—Priority. Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of the Series B Preferred Stock and all other Parity Stock, at the time outstanding, voting as a single class without regard to series, shall be required to issue, authorize or increase the authorized amount of, or to issue or authorize any obligation or security convertible into or evidencing the right to purchase, any additional class or series of stock ranking prior to the shares of the Series B Preferred Stock and all other Parity Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up of the Corporation;

(c) Special Voting Right.

(i) Voting Right. If and whenever dividends on the Series B Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series B Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(c) have been conferred and are exercisable, have not been paid in an aggregate amount equal, as to any class or series, to at least six quarterly Dividend Periods (whether consecutive or not), the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series B Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist), shall have the right, voting separately as a single class without regard to series, to the exclusion of the holders of common stock, to elect two directors of the Corporation to fill such newly created directorships (and to fill any vacancies in the terms of such directorships), provided that the election of such directors must not cause the Corporation to violate the corporate governance requirements of the New York Stock Exchange (or other exchange on which the Corporation's securities may be listed) that listed companies must have a majority of independent directors and further provided that the Board of Directors of the Corporation shall at no time include more than two such directors. Each such director elected by the holders of shares of Series B Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series B Preferred Stock as to payment of dividends is a "*Preferred Director*".

(ii) Election. The election of the Preferred Directors will take place at any annual meeting of stockholders or any special meeting of the holders of Series B Preferred Stock and any other class or series of our stock that ranks on parity with Series B Preferred Stock as to payment of dividends and for which dividends have not been paid, called as provided herein. At any time after the special voting power has vested pursuant to Section 7(c)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series B Preferred Stock (addressed to the secretary at the Corporation's principal office) must (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), call a special meeting of the holders of Series B Preferred Stock and any other class or series of preferred stock that ranks on parity with Series B Preferred Stock as to payment of dividends and for which dividends have not been paid for the election of the two directors to be elected by them as provided in Section 7(c)(iii) below. The Preferred Directors shall each be entitled to one vote per director on any matter.

(iii) Notice for Special Meeting. Notice for a special meeting will be given in a similar manner to that provided in the Corporation's by-laws for a special meeting of the stockholders. If the secretary of the Corporation does not call a special meeting within 20 days after receipt of any such request, then any holder of Series B Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(c)(iii), and for that purpose will have access to the stock register of the Corporation. The Preferred Directors elected at any such special meeting will hold office until the next annual meeting of our stockholders unless they have been previously terminated or removed pursuant to Section 7(c)(iv). In case any vacancy in the office of

a Preferred Director occurs (other than prior to the initial election of the Preferred Directors), the vacancy may be filled by the written consent of the Preferred Director remaining in office, or if none remains in office, by the vote of the holders of the Series B Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) to serve until the next annual meeting of the stockholders.

(iv) Termination; Removal. Whenever full dividends have been paid regularly on the Series B Preferred Stock and any other class or series of preferred stock that ranks on parity with Series B Preferred Stock as to payment of dividends, if any, for at least four Dividend Periods, then the right of the holders of Series B Preferred Stock to elect such additional two directors will cease (but subject always to the same provisions for the vesting of the special voting rights in the case of any similar non-payment of dividends in respect of future Dividend Periods). The terms of office of the Preferred Directors will immediately terminate and the number of directors constituting our board of directors will be reduced accordingly. Any Preferred Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Series B Preferred Stock (together with holders of any other class of the Corporation's authorized preferred stock having equivalent voting rights, whether or not the holders of such preferred stock would be entitled to vote for the election of directors if such default in dividends did not exist) when they have the voting rights described in this Section 7(c).

Section 8. Conversion. The holders of Series B Preferred Stock shall not have any rights to convert such Series B Preferred Stock into shares of any other class of capital stock of the Corporation.

Section 9. Rank. Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors of the Corporation, the Committee or any authorized committee of the Board of Directors of the Corporation, without the vote of the holders of the Series B Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or, subject to the voting rights granted in Section 7(b), any class of securities ranking senior to the Series B Preferred Stock as to dividends and the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation.

Section 10. Repurchase. Subject to the limitations imposed herein, the Corporation may purchase and sell Series B Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation may determine; *provided, however*, that the Corporation shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Corporation is, or by such purchase would be, rendered insolvent.

Section 11. Unissued or Reacquired Shares. Shares of Series B Preferred Stock not issued or which have been issued and converted, redeemed or otherwise purchased or acquired by the Corporation shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

Section 12. No Sinking Fund. Shares of Series B Preferred Stock are not subject to the operation of a sinking fund.

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)		Three Months Ended March 31, 2006
Earnings		
1.	Net income	\$1,153
2.	Applicable income taxes	561
3.	Income before income taxes (1 + 2)	<u>\$1,714</u>
4.	Fixed charges:	
a.	Interest expense excluding interest on deposits	\$673
b.	Portion of rents representative of interest and amortization of debt expense	<u>18</u>
c.	Fixed charges excluding interest on deposits (4a + 4b)	691
d.	Interest on deposits	<u>503</u>
e.	Fixed charges including interest on deposits (4c + 4d)	<u>\$1,194</u>
5.	Amortization of interest capitalized	\$—
6.	Earnings excluding interest on deposits (3 + 4c + 5)	2,405
7.	Earnings including interest on deposits (3 + 4e + 5)	2,908
8.	Fixed charges excluding interest on deposits (4c)	691
9.	Fixed charges including interest on deposits (4e)	1,194
Ratio of Earnings to Fixed Charges		
10.	Excluding interest on deposits (line 6/line 8)	3.48
11.	Including interest on deposits (line 7/line 9)	<u>2.44</u>

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jerry A. Grundhofer, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JERRY A. GRUNDHOFER

Jerry A. Grundhofer

Chief Executive Officer

Dated: May 10, 2006

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, David M. Moffett, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DAVID M. MOFFETT

David M. Moffett
Chief Financial Officer

Dated: May 10, 2006

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Chief Executive Officer and Chief Financial Officer of U.S. Bancorp, a Delaware corporation (the "Company"), do hereby certify that:

- (1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JERRY A. GRUNDHOFER

Jerry A. Grundhofer
Chief Executive Officer

/s/ DAVID M. MOFFETT

David M. Moffett
Chief Financial Officer

Dated: May 10, 2006