

3

Form 10-Q/September 30, 2018

usbancorp.

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 September 30, 2018

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 No.)

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 ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

YES ☐ NO ☒

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, \$0.01 Par Value

Outstanding as of October 31, 2018
1,616,092,910 shares

Table of Contents and Form 10-Q Cross Reference Index**Part I — Financial Information**

1) Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2)	3
a) Overview	3
b) Statement of Income Analysis	4
c) Balance Sheet Analysis	6
d) Non-GAAP Financial Measures	30
e) Critical Accounting Policies	32
f) Controls and Procedures (Item 4)	32
2) Quantitative and Qualitative Disclosures About Market Risk/Corporate Risk Profile (Item 3)	8
a) Overview	8
b) Credit Risk Management	9
c) Residual Value Risk Management	21
d) Operational Risk Management	21
e) Compliance Risk Management	21
f) Interest Rate Risk Management	21
g) Market Risk Management	22
h) Liquidity Risk Management	24
i) Capital Management	25
3) Line of Business Financial Review	26
4) Financial Statements (Item 1)	33

Part II — Other Information

1) Legal Proceedings (Item 1)	75
2) Risk Factors (Item 1A)	75
3) Unregistered Sales of Equity Securities and Use of Proceeds (Item 2)	75
4) Exhibits (Item 6)	75
5) Signature	76
6) Exhibits	77

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

This quarterly report on 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 and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. 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 important factors could cause actual results to differ materially from those anticipated. Deterioration in general business and economic conditions or turbulence in domestic or global financial markets could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities, reduce the availability of funding to certain financial institutions, lead to a tightening of credit and increase stock price volatility. Stress in the commercial real estate markets, as well as a downturn in the residential real estate markets, could cause credit losses and deterioration in asset values. In addition, changes to statutes, regulations, or regulatory policies or practices could affect U.S. Bancorp in substantial and unpredictable ways. U.S. Bancorp's results could also be adversely affected by changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of its investment securities; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in the level of tariffs and other trade policies of the United States and its global trading partners; changes in customer behavior and preferences; breaches in data security; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management's ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputational risk.

For discussion of these and other risks that may cause actual results to differ from expectations, refer to U.S. Bancorp's Annual Report on Form 10-K for the year ended December 31, 2017, on file with the Securities and Exchange Commission, including the sections entitled “Corporate Risk Profile” and “Risk Factors” contained in Exhibit 13, and all subsequent filings with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. However, factors other than these also could adversely affect U.S. Bancorp's results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

(a) Based on federal income tax rates of 21 percent for 2018 and 35 percent for 2017, for those assets and liabilities whose income or expense is not included for federal income tax purposes.
(b) See Non-GAAP Financial Measures beginning on page 30.
(c) Calculated as U.S. Bancorp common shareholders' equity divided by common shares outstanding at end of the period.
(d) Excludes unrealized gains and losses on available-for-sale investment securities and any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

Management's Discussion and Analysis

OVERVIEW

Earnings Summary U.S. Bancorp and its subsidiaries (the "Company") reported net income attributable to U.S. Bancorp of \$1.8 billion for the third quarter of 2018, or \$1.06 per diluted common share, compared with \$1.6 billion, or \$0.88 per diluted common share, for the third quarter of 2017. Return on average assets and return on average common equity were 1.58 percent and 15.5 percent, respectively, for the third quarter of 2018, compared with 1.38 percent and 13.6 percent, respectively, for the third quarter of 2017.

Total net revenue for the third quarter of 2018 was \$132 million (2.4 percent) higher than the third quarter of 2017, reflecting a 2.4 percent increase in net interest income (1.7 percent on a taxable-equivalent basis) and a 3.3 percent increase in noninterest income. The increase in net interest income from the third quarter of 2017 was mainly a result of the impact of rising interest rates, earning assets growth, and higher yields on the reinvestment of securities, partially offset by higher rates on deposits and funding mix changes. The noninterest income increase was driven by strong growth in payment services revenue and trust and investment management fees, along with an increase in other noninterest income, partially offset by decreases in mortgage banking revenue and commercial products revenue.

Noninterest expense in the third quarter of 2018 was \$46 million (1.5 percent) higher than the third quarter of 2017, primarily due to increased compensation expense related to supporting business growth and compliance programs, merit increases, and variable compensation related to revenue growth, higher employee benefits expense, and higher technology and communications expense in support of business growth. Partially offsetting these increases was lower other noninterest expense driven by lower costs related to tax-advantaged projects, lower Federal Deposit Insurance Corporation ("FDIC") insurance expense, a reduction in mortgage servicing costs, and lower pension related costs.

The provision for credit losses for the third quarter of 2018 of \$343 million was \$17 million (4.7 percent) lower than the third quarter of 2017. Net charge-offs in the third quarter of 2018 were \$328 million, compared with \$330 million in the third quarter of 2017. Refer to "Corporate Risk Profile" for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Net income attributable to U.S. Bancorp for the first nine months of 2018 was \$5.2 billion, or \$3.04 per diluted common share, compared with \$4.5 billion, or \$2.55 per diluted common share, for the first nine months of 2017. Return on average assets and return on average common equity were 1.54 percent and 15.2 percent, respectively, for the first nine months of 2018, compared with 1.36 percent and 13.4 percent, respectively, for the first nine months of 2017.

Total net revenue for the first nine months of 2018 was \$504 million (3.1 percent) higher than the first nine months of 2017, reflecting a 4.5 percent increase in net interest income (3.7 percent on a taxable-equivalent basis) and a 2.3 percent increase in noninterest income. The increase in net interest income from a year ago was mainly a result of the impact of rising interest rates, earnings assets growth, and higher yields on the reinvestment of securities, partially offset by higher rates on deposits and funding mix changes. The noninterest income increase was driven by strong growth in payment services revenue and trust and investment management fees, along with increases in other noninterest income and ATM processing services revenue, partially offset by decreases in mortgage banking revenue and commercial products revenue.

Noninterest expense in the first nine months of 2018 was \$293 million (3.3 percent) higher than the first nine months of 2017, primarily due to increased compensation expense related to supporting business growth and compliance programs, merit increases, and variable compensation related to revenue growth, higher employee benefits expense, and higher technology and communications expense in support of business growth. Partially offsetting these increases was lower other noninterest expense driven by lower costs related to tax-advantaged projects, lower FDIC insurance expense, a reduction in mortgage servicing costs, and lower pension related costs.

The provision for credit losses for the first nine months of 2018 of \$1.0 billion was \$44 million (4.2 percent) lower than the first nine months of 2017. Net charge-offs were \$1.0 billion in both the first nine months of 2018 and 2017. Refer to "Corporate Risk

Table 2 Noninterest Income

(Dollars in Millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2018	2017	Percent Change	2018	2017	Percent Change
Credit and debit card revenue	\$ 344	\$ 318	8.2%	\$ 1,019	\$ 947	7.6%
Corporate payment products revenue	169	150	12.7	481	427	12.6
Merchant processing services	392	377	4.0	1,142	1,112	2.7
ATM processing services	85	77	10.4	254	223	13.9
Trust and investment management fees	411	380	8.2	1,210	1,128	7.3
Deposit service charges	198	187	5.9	563	538	4.6
Treasury management fees	146	153	(4.6)	451	466	(3.2)
Commercial products revenue	216	240	(10.0)	670	730	(8.2)
Mortgage banking revenue	174	213	(18.3)	549	632	(13.1)
Investment products fees	47	42	11.9	140	128	9.4
Securities gains (losses), net	10	9	11.1	25	47	(46.8)
Other	226	194	16.5	600	569	5.4
Total noninterest income	\$ 2,418	\$ 2,340	3.3%	\$ 7,104	\$ 6,947	2.3%

Profile” for further information on the provision for credit losses, net charge-offs, nonperforming assets and other factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

STATEMENT OF INCOME ANALYSIS

Net Interest Income Net interest income, on a taxable-equivalent basis, was \$3.3 billion in the third quarter and \$9.7 billion in the first nine months of 2018, representing increases of \$54 million (1.7 percent) and \$347 million (3.7 percent), respectively, over the same periods of 2017. The increases were principally driven by the impact of rising interest rates, earning assets growth, and higher yields on securities, partially offset by changes in loan mix, higher rates on deposits and changes in funding mix, as well as the impact of the Tax Cuts and Jobs Act (“tax reform”) enacted by Congress in late 2017 which reduced the taxable-equivalent adjustment benefit related to tax exempt assets, and higher interest recoveries in the prior year. Average earning assets were \$6.4 billion (1.6 percent) higher in the third quarter and \$9.2 billion (2.3 percent) higher in the first nine months of 2018, compared with the same periods of 2017, reflecting increases in loans, investment securities and other earning assets. The net interest margin, on a taxable-equivalent basis, in the third quarter and first nine months of 2018 was 3.15 percent and 3.14 percent, respectively, compared with 3.14 percent and 3.09 percent in the third quarter and first nine months of 2017, respectively. The increases in the net interest margin from the same periods of the prior year were primarily due to higher interest rates, partially offset by higher funding costs, changes in loan mix, and the impact of tax reform. Refer to the “Consolidated Daily Average Balance Sheet and Related Yields and Rates” tables for further information on net interest income.

Average total loans in the third quarter and first nine months of 2018 were \$3.4 billion (1.2 percent) and \$4.2 billion (1.5 percent) higher, respectively, than the same periods of 2017, due to growth in residential mortgages, commercial loans and credit card loans. In addition, average other retail loans were also higher in the first nine months of 2018, compared to the same period of the prior year. The increases were driven by higher demand for loans from new and existing customers. These increases were partially offset by a decrease in commercial real estate loans due to disciplined underwriting and customers paying down balances over the past year, as well as a decrease in loans covered by loss sharing agreements with the FDIC, a run-off portfolio.

Average investment securities in the third quarter and first nine months of 2018 were \$1.7 billion (1.5 percent) and \$2.5 billion (2.3 percent) higher, respectively, than the same periods of 2017, primarily due to purchases of U.S. Treasury, mortgage-backed and state and political securities, net of prepayments and maturities.

Average total deposits were \$5.0 billion (1.5 percent) lower in the third quarter and \$1.5 billion (0.5 percent) higher in the first nine months of 2018, respectively, compared to the same periods of 2017. Average noninterest-bearing deposits for the third quarter and first nine months of 2018 decreased \$4.8 billion (5.8 percent) and \$3.3 billion (4.0 percent), respectively, from the same periods of 2017, primarily due to decreases in business deposits within Corporate and Commercial Banking, and trust balances within Wealth Management and Investment Services. Average total savings deposits for the third quarter and first nine months of 2018 were \$1.9 billion (0.9 percent) and \$54 million lower, respectively, than the same periods of 2017, driven by decreases in Corporate and Commercial Banking, and Wealth Management and Investment Services balances.

Table 3 Noninterest Expense

(Dollars in Millions)	Three Months Ended September 30			Nine Months Ended September 30		
	2018	2017	Percent Change	2018	2017	Percent Change
Compensation	\$1,529	\$1,440	6.2%	\$4,594	\$4,247	8.2%
Employee benefits	294	268	9.7	923	843	9.5
Net occupancy and equipment	270	258	4.7	797	760	4.9
Professional services	96	104	(7.7)	274	305	(10.2)
Marketing and business development	106	92	15.2	314	291	7.9
Technology and communications	247	227	8.8	724	667	8.5
Postage, printing and supplies	84	82	2.4	244	244	—
Other intangibles	41	44	(6.8)	120	131	(8.4)
Other	377	483	(21.9)	1,194	1,403	(14.9)
Total noninterest expense	\$3,044	\$2,998	1.5%	\$9,184	\$8,891	3.3%
Efficiency ratio (a)	53.5%	53.9%		54.7%	54.7%	

a) See Non-GAAP Financial Measures beginning on page 30.

partially offset by increases in Consumer and Business Banking balances. The declines in Corporate and Commercial Banking total savings balances reflect expected run-off related to the business merger of a large financial customer. Average time deposits for the third quarter and first nine months of 2018 increased \$1.7 billion (4.6 percent) and \$4.9 billion (14.9 percent), respectively, over the same periods of 2017. The increases were largely related to those deposits managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics.

Provision for Credit Losses The provision for credit losses for the third quarter and first nine months of 2018 decreased \$17 million (4.7 percent) and \$44 million (4.2 percent), respectively, from the same periods of 2017. Net charge-offs decreased \$2 million (0.6 percent) and \$4 million (0.4 percent) in the third quarter and first nine months of 2018, respectively, compared with the same periods of the prior year, primarily due to lower commercial loan and residential mortgage net charge-offs, partially offset by higher credit card loan net charge-offs. Refer to “Corporate Risk Profile” for further information on the provision for credit losses, net charge-offs, nonperforming assets and other 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 was \$2.4 billion in the third quarter and \$7.1 billion in the first nine months of 2018, representing increases of \$78 million (3.3 percent) and \$157 million (2.3 percent), respectively, compared with the same periods of 2017. The increases from a year ago reflected strong growth in payment services revenue and trust and investment management fees, along with increases in other noninterest income and ATM processing services revenue. These increases were partially offset by lower mortgage banking revenue and commercial products revenue, which were impacted by industry trends in these revenue categories. The increase in payment services revenue reflected higher credit and debit card revenue, corporate payment products revenue, and merchant processing services revenue, all driven by higher sales volumes. Trust and investment management fees increased due to business growth and favorable market conditions. ATM processing services revenue increased due to higher transaction volumes. Other noninterest income increased in the third quarter of 2018, compared to the third quarter of 2017, primarily due to higher equity investment income and tax-advantaged project syndication revenue. Other noninterest income increased in the first nine months of 2018, compared with the same period of the prior year, primarily due to higher tax-advantaged project syndication revenue. The decrease in mortgage banking revenue was primarily due to lower mortgage production and the adverse impact on gain on sale margins due to excess capacity in the industry in the near term. The decrease in commercial products revenue was primarily due to lower corporate bond underwriting fees and loan syndication fees. Commercial products revenue further decreased in the first nine months of 2018, compared with the same period of the prior year, due to lower trading revenue.

Noninterest Expense Noninterest expense was \$3.0 billion in the third quarter and \$9.2 billion in the first nine months of 2018, representing increases of \$46 million (1.5 percent) and \$293 million (3.3 percent) over the same periods of 2017. The increases from a year ago were primarily due to higher personnel costs and technology and communications expense, partially offset by lower other noninterest expense. Compensation expense increased principally due to the impact of hiring to support business growth and compliance programs, merit increases, and higher variable compensation related

to business production. Employee benefits expense increased primarily due to increased medical costs and staffing, while technology and communications expense increased primarily due to technology investment initiatives. Other noninterest expense decreased due to lower costs related to tax-advantaged projects, lower FDIC insurance expense, a reduction in mortgage servicing costs and lower pension-related costs as a result of contributions to the Company's pension plans in 2017.

Income Tax Expense The provision for income taxes was \$460 million (an effective rate of 20.2 percent) for the third quarter and \$1.3 billion (an effective rate of 19.4 percent) for the first nine months of 2018, compared with \$589 million (an effective rate of 27.3 percent) and \$1.6 billion (an effective rate of 26.4 percent) for the same periods of 2017. The lower 2018 tax rates reflect tax reform enacted in late 2017. For further information on income taxes, refer to Note 11 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company's loan portfolio was \$281.5 billion at September 30, 2018, compared with \$280.4 billion at December 31, 2017, an increase of \$1.1 billion (0.4 percent). The increase was driven by higher residential mortgages and commercial loans, partially offset by lower other retail loans, commercial real estate loans, credit card loans and covered loans.

Residential mortgages held in the loan portfolio increased \$3.1 billion (5.2 percent) at September 30, 2018, compared with December 31, 2017, as origination activity more than offset the effect of customers paying down balances in the first nine months of 2018. Residential mortgages originated and placed in the Company's loan portfolio include well-secured jumbo mortgages and branch-originated first lien home equity loans to borrowers with high credit quality.

Commercial loans increased \$1.7 billion (1.8 percent) at September 30, 2018, compared with December 31, 2017, reflecting higher demand from new and existing customers.

Other retail loans decreased \$1.3 billion (2.2 percent) at September 30, 2018, compared with December 31, 2017, reflecting the sale of the Company's federally guaranteed student loans during the first nine months of 2018, along with decreases in auto loans and home equity loans. Partially offsetting these decreases were increases in installment and retail leasing loans.

Commercial real estate loans decreased \$497 million (1.2 percent) at September 30, 2018, compared with December 31, 2017, primarily the result of continued disciplined underwriting and customers paying down balances.

Credit card loans decreased \$311 million (1.4 percent) at September 30, 2018, compared with December 31, 2017, primarily the result of customers paying down balances.

Covered loans decreased \$1.7 billion (55.1 percent) at September 30, 2018, compared with December 31, 2017, reflecting the transfer of \$1.3 billion of covered residential mortgage loans from the loan portfolio to loans held for sale at the end of the third quarter of 2018.

The Company generally retains portfolio loans through maturity; however, the Company's intent may change over time based upon various factors such as ongoing asset/liability management activities, assessment of product profitability, credit risk, liquidity needs, and capital implications. If the Company's intent or ability to hold an existing portfolio loan changes, it is transferred to loans held for sale.

Loans Held for Sale Loans held for sale, consisting of residential mortgages and other loans to be sold in the secondary market, were \$4.5 billion at September 30, 2018, compared with \$3.6 billion at December 31, 2017. The increase in loans held for sale was principally due to the transfer of \$1.3 billion of covered residential mortgage loan balances to loans held for sale at the end of the third quarter of 2018. This increase was partially offset by a decrease in originated residential mortgage loans held for sale ("MLHFS") balances due to a lower level of mortgage loan closings in the third quarter of 2018. Almost all of the residential mortgage loans the Company originates or purchases for sale follow guidelines that allow the loans to be sold into existing, highly liquid secondary markets; in particular in government agency transactions and to government-sponsored enterprises ("GSEs").

Investment Securities Investment securities totaled \$111.0 billion at September 30, 2018, compared with \$112.5 billion at December 31, 2017. The \$1.5 billion (1.4 percent) decrease was primarily due to a \$1.4 billion unfavorable change in net unrealized gains (losses) on available-for-sale investment securities.

Table 4 Investment Securities

At September 30, 2018 (Dollars in Millions)	Available-for-Sale				Held-to-Maturity			
	Amortized Cost	Fair Value	Weighted- Average Maturity in Years	Weighted- Average Yield (e)	Amortized Cost	Fair Value	Weighted- Average Maturity in Years	Weighted- Average Yield (e)
U.S. Treasury and Agencies								
Maturing in one year or less	\$ 3,028	\$ 3,016	.4	1.26%	\$ 650	\$ 646	.7	1.73%
Maturing after one year through five years	16,490	15,935	3.0	1.70	2,912	2,755	4.4	1.64
Maturing after five years through ten years	658	630	7.6	2.85	1,550	1,475	5.7	2.10
Maturing after ten years	—	—	—	—	—	—	—	—
Total	\$ 20,176	\$ 19,581	2.8	1.67%	\$ 5,112	\$ 4,876	4.3	1.79%
Mortgage-Backed Securities (a)								
Maturing in one year or less	\$ 69	\$ 69	.4	3.83%	\$ 36	\$ 36	.8	2.51%
Maturing after one year through five years	13,644	13,074	4.4	2.09	15,158	14,479	4.0	2.03
Maturing after five years through ten years	23,195	22,574	6.3	2.63	25,348	24,544	6.3	2.67
Maturing after ten years	2,583	2,598	14.4	3.18	360	361	14.0	3.06
Total	\$ 39,491	\$ 38,315	6.2	2.48%	\$ 40,902	\$ 39,420	5.5	2.43%
Asset-Backed Securities (a)								
Maturing in one year or less	\$ —	\$ —	—	—%	\$ —	\$ —	—	—%
Maturing after one year through five years	402	408	3.6	3.49	3	4	3.3	2.90
Maturing after five years through ten years	—	—	—	—	2	3	6.4	3.00
Maturing after ten years	—	—	—	—	—	1	17.0	2.84
Total	\$ 402	\$ 408	3.6	3.49%	\$ 5	\$ 8	4.4	2.93%
Obligations of State and Political Subdivisions (b) (c)								
Maturing in one year or less	\$ 238	\$ 242	.6	5.70%	\$ —	\$ —	.2	6.24%
Maturing after one year through five years	583	587	3.5	4.62	1	1	3.4	6.67
Maturing after five years through ten years	3,886	3,818	8.2	4.37	5	6	7.5	2.01
Maturing after ten years	2,140	1,961	19.0	4.11	—	—	—	—
Total	\$ 6,847	\$ 6,608	10.9	4.35%	\$ 6	\$ 7	7.0	2.55%
Other								
Maturing in one year or less	\$ —	\$ —	—	—%	\$ 9	\$ 9	.1	3.21%
Maturing after one year through five years	—	—	—	—	12	12	1.2	3.08
Maturing after five years through ten years	—	—	—	—	—	—	—	—
Maturing after ten years	—	—	—	—	—	—	—	—
Total	\$ —	\$ —	—	—%	\$ 21	\$ 21	.7	3.14%
Total investment securities (d)	\$ 66,916	\$ 64,912	5.6	2.43%	\$ 46,046	\$ 44,332	5.4	2.36%

- (a) Information related to asset and mortgage-backed securities included above is presented based upon weighted-average maturities that take into account anticipated 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, and yield to maturity if the security is purchased at par or a discount.
- (c) Maturity calculations for obligations of state and political subdivisions are based on the first optional call date for securities with a fair value above par and the contractual maturity date for securities with a fair value equal to or below par.
- (d) The weighted-average maturity of the available-for-sale investment securities was 5.1 years at December 31, 2017, with a corresponding weighted-average yield of 2.25 percent.
- (e) The weighted-average maturity of the held-to-maturity investment securities was 4.7 years at December 31, 2017, with a corresponding weighted-average yield of 2.14 percent.
- (f) Weighted-average yields for obligations of state and political subdivisions are presented on a fully-taxable equivalent basis based on a federal income tax rate of 21 percent for 2018 and 35 percent for 2017. Yields on available-for-sale and held-to-maturity investment securities are computed based on amortized cost balances, excluding any premiums or discounts recorded related to the transfer of investment securities at fair value from available-for-sale to held-to-maturity.

(Dollars in Millions)	September 30, 2018		December 31, 2017	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
U.S. Treasury and agencies	\$ 25,288	22.4%	\$ 28,767	25.5%
Mortgage-backed securities	80,393	71.2	77,606	68.6
Asset-backed securities	407	.3	419	.4
Obligations of state and political subdivisions	6,853	6.1	6,246	5.5
Other	21	—	41	—
Total investment securities	\$ 112,962	100.0%	\$ 113,079	100.0%

The Company's available-for-sale securities are carried at fair value with changes in fair value reflected in other comprehensive income (loss) unless a security is deemed to be other-than-temporarily impaired. At September 30, 2018, the Company's net unrealized losses on available-for-sale securities were \$2.0 billion, compared with \$580 million at December 31, 2017. The unfavorable change in net unrealized gains (losses) was primarily due to decreases in the fair value of U.S. Treasury, mortgage-backed and state and political securities as a result of changes in interest rates. Gross unrealized losses on available-for-sale securities totaled \$2.1 billion at September 30, 2018, compared with \$888 million at December 31, 2017. At September 30, 2018, the Company had no plans to sell securities with unrealized losses, and believes it is more likely than not that it would not be required to sell such securities before recovery of their amortized cost.

Refer to Notes 3 and 14 in the Notes to Consolidated Financial Statements for further information on investment securities.

Deposits Total deposits were \$331.2 billion at September 30, 2018, compared with \$347.2 billion at December 31, 2017, the result of decreases in total savings deposits and noninterest-bearing deposits, partially offset by an increase in time deposits. Money market deposit balances decreased \$7.3 billion (6.8 percent) at September 30, 2018, compared with December 31, 2017, primarily due to lower Wealth Management and Investment Services, Corporate and Commercial Banking, and Consumer and Business Banking balances. The decline in Corporate and Commercial Banking balances reflects expected run-off related to the business merger of a large financial customer. Interest checking balances decreased \$4.7 billion (6.3 percent) at September 30, 2018, compared with December 31, 2017, primarily due to lower Wealth Management and Investment Services, and Corporate and Commercial Banking balances, partially offset by higher Consumer and Business Banking balances. Savings account balances increased \$853 million (1.9 percent), primarily due to higher Consumer and Business Banking balances. Noninterest-bearing deposits decreased \$10.4 billion (11.9 percent) at September 30, 2018, compared with December 31, 2017, primarily due to lower Wealth Management and Investment Services, and Corporate and Commercial Banking balances, partially offset by higher Consumer and Business Banking balances. Time deposits increased \$5.6 billion (16.7 percent) at September 30, 2018, compared with December 31, 2017, driven by an increase in those deposits managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics, along with higher Consumer and Business Banking balances.

Borrowings The Company utilizes both short-term and long-term borrowings as part of its asset/liability management and funding strategies. Short-term borrowings, which include federal funds purchased, commercial paper, repurchase agreements, borrowings secured by high-grade assets and other short-term borrowings, were \$23.9 billion at September 30, 2018, compared with \$16.7 billion at December 31, 2017. The \$7.2 billion (43.3 percent) increase in short-term borrowings was due to higher federal funds purchased, repurchase agreement and other short-term borrowings balances, partially offset by lower commercial paper balances. Long-term debt was \$40.9 billion at September 30, 2018, compared with \$32.3 billion at December 31, 2017. The \$8.6 billion (26.8 percent) increase was primarily due to issuances of \$8.4 billion of bank notes and \$1.3 billion of medium-term notes, partially offset by a \$901 million decrease in Federal Home Loan Bank ("FHLB") advances. 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 Company's Board of Directors has approved a risk management framework which establishes governance and risk management requirements for all risk-taking activities. This framework includes Company and business line risk appetite statements which set boundaries for the types and amount of risk that may be undertaken in pursuing business objectives and initiatives. The Board of Directors, primarily through its Risk Management Committee, oversees performance relative to the risk management framework, risk appetite statements, and other policy requirements.

The Executive Risk Committee ("ERC"), which is chaired by the Chief Risk Officer and includes the Chief Executive Officer and other members of the executive management team, oversees execution against the risk management framework and risk appetite statements. The ERC focuses on current and emerging risks, including strategic and reputational risks, by directing timely and comprehensive actions. Senior operating committees have also been established, each responsible for overseeing a specified category of risk.

The Company's most prominent risk exposures are credit, interest rate, market, liquidity, operational,

compliance, strategic, and reputational. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan, investment or derivative contract when it is due. Interest rate risk is the potential reduction of net interest income or market valuations as a result of changes in interest rates. Market risk arises from fluctuations in interest rates, foreign exchange rates, and security prices that may result in changes in the values of financial instruments, such as trading and available-for-sale securities, MLHFS, mortgage servicing rights (“MSRs”) and derivatives that are accounted for on a fair value basis. Liquidity risk is the possible inability to fund obligations or new business at a reasonable cost and in a timely manner. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including the risk of loss resulting from breaches in data security. Operational risk can also include the risk of loss due to failures by third parties with which the Company does business. Compliance risk is the risk of loss arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards, potentially exposing the Company to fines, civil money penalties, payment of damages and the voiding of contracts. Strategic risk is the risk to current or projected financial condition arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the banking industry and operating environment. Reputational risk is the risk to current or anticipated earnings, capital, or franchise or enterprise value arising from negative public opinion. This risk may impair the Company’s competitiveness by affecting its ability to establish new relationships, offer new services or continue serving existing relationships. In addition to the risks identified above, other risk factors exist that may impact the Company. Refer to “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, for a detailed discussion of these factors.

The Company’s Board of Directors and management-level governance committees are supported by a “three lines of defense” model for establishing effective checks and balances. The first line of defense, the business lines, manages risks in conformity with established limits and policy requirements. In turn, business line leaders and their risk officers establish programs to ensure conformity with these limits and policy requirements. The second line of defense, which includes the Chief Risk Officer’s organization as well as policy and oversight activities of corporate support functions, translates risk appetite and strategy into actionable risk limits and policies. The second line of defense monitors first line of defense conformity with limits and policies, and provides reporting and escalation of emerging risks and other concerns to senior management and the Risk Management Committee of the Board of Directors. The third line of defense, internal audit, is responsible for providing the Audit Committee of the Board of Directors and senior management with independent assessment and assurance regarding the effectiveness of the Company’s governance, risk management and control processes.

Management regularly provides reports to the Risk Management Committee of the Board of Directors. The Risk Management Committee discusses with management the Company’s risk management performance, and provides a summary of key risks to the entire Board of Directors, covering the status of existing matters, areas of potential future concern and specific information on certain types of loss events. The Risk Management Committee considers quarterly reports by management assessing the Company’s performance relative to the risk appetite statements and the associated risk limits, including:

- Qualitative considerations, such as the macroeconomic environment, regulatory and compliance changes, litigation developments, and technology and cybersecurity;
- Capital ratios and projections, including regulatory measures and stressed scenarios;
- Credit measures, including adversely rated and nonperforming loans, leveraged transactions, credit concentrations and lending limits;
- Interest rate and market risk, including market value and net income simulation, and trading-related Value at Risk (“VaR”);
- Liquidity risk, including funding projections under various stressed scenarios;
- Operational and compliance risk, including losses stemming from events such as fraud, processing errors, control breaches, breaches in data security or adverse business decisions, as well as reporting on technology performance, and various legal and regulatory compliance measures; and
- Reputational and strategic risk considerations, impacts and responses.

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. 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), collateral values, trends in loan performance and macroeconomic factors, such as changes in unemployment rates, gross domestic product and consumer bankruptcy filings, as well as the potential impact on customers and the domestic economy resulting from new tariffs or increases in existing tariffs. The Risk Management Committee oversees the Company's credit risk management process.

In addition, credit quality ratings as defined by the Company are an important part of the Company's overall credit risk management and evaluation of its allowance for credit losses. Loans with a pass rating represent those loans not classified on the Company's rating scale for problem credits, as minimal risk has been identified. Loans with a special mention or classified rating, including loans that are 90 days or more past due and still accruing, nonaccrual loans, those loans considered troubled debt restructurings ("TDRs"), and loans in a junior lien position that are current but are behind a modified or delinquent loan in a first lien position, encompass all loans held by the Company that it considers to have a potential or well-defined weakness that may put full collection of contractual cash flows at risk. The Company's internal credit quality ratings for consumer loans are primarily based on delinquency and nonperforming status, except for a limited population of larger loans within those portfolios that are individually evaluated. For this limited population, the determination of the internal credit quality rating may also consider collateral value and customer cash flows. Refer to Note 4 in the Notes to Consolidated Financial Statements for further discussion of the Company's loan portfolios including internal credit quality ratings. In addition, 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, 2017, for a more detailed discussion on credit risk management processes.

The Company manages its credit risk, in part, through diversification of its loan portfolio which is achieved through limit setting by product type criteria, such as industry, and identification of credit concentrations. As part of its normal business activities, the Company offers a broad array of lending products. The Company categorizes its loan portfolio into three segments, which is the level at which it develops and documents a systematic methodology to determine the allowance for credit losses. The Company's three loan portfolio segments are commercial lending, consumer lending and covered loans.

The commercial lending segment includes loans and leases made to small business, middle market, large corporate, commercial real estate, financial institution, non-profit and public sector customers. Key risk characteristics relevant to commercial lending segment loans include the industry and geography of the borrower's business, purpose of the loan, repayment source, borrower's debt capacity and financial flexibility, loan covenants, and nature of pledged collateral, if any. These risk characteristics, among others, are considered in determining estimates about the likelihood of default by the borrowers and the severity of loss in the event of default. The Company considers these risk characteristics in assigning internal risk ratings to, or forecasting losses on, these loans, which are the significant factors in determining the allowance for credit losses for loans in the commercial lending segment.

The consumer lending segment represents loans and leases made to consumer customers, including residential mortgages, credit card loans, and other retail loans such as revolving consumer lines, auto loans and leases, home equity loans and lines, and student loans, a run-off portfolio. Home equity or second mortgage loans are junior lien closed-end accounts fully disbursed at origination. These loans typically are fixed rate loans, secured by residential real estate, with a 10- or 15-year fixed payment amortization schedule. Home equity lines are revolving accounts giving the borrower the ability to draw and repay balances repeatedly, up to a maximum commitment, and are secured by residential real estate. These include accounts in either a first or junior lien position. Typical terms on home equity lines in the portfolio are variable rates benchmarked to the prime rate, with a 10- or 15-year draw period during which a minimum payment is equivalent to the monthly interest, followed by a 20- or 10-year amortization period, respectively. At September 30, 2018, substantially all of the Company's home equity lines were in the draw period. Approximately \$1.4 billion, or 10 percent, of the outstanding home equity line balances at September 30, 2018, will enter the amortization period within the next 36 months. Key risk characteristics relevant to consumer lending segment loans primarily relate to the borrowers' capacity and willingness to repay and include unemployment rates and other economic factors, customer payment history and credit scores, and in some cases, updated loan-to-value ("LTV") information reflecting current market conditions on real estate based loans. These risk characteristics, among others, are reflected in forecasts of delinquency levels, bankruptcies and losses which are the primary factors in determining the allowance for credit losses for the consumer lending segment.

The covered loan segment represents loans acquired in FDIC-assisted transactions that are covered by loss sharing agreements with the FDIC that greatly reduce the risk of future credit losses to the Company. Key risk

characteristics for covered segment loans are consistent with the segment they would otherwise be included in had the loss share coverage not been in place, but consider the indemnification provided by the FDIC.

The Company further disaggregates its loan portfolio segments into various classes based on their underlying risk characteristics. The two classes within the commercial lending segment are commercial loans and commercial real estate loans. The three classes within the consumer lending segment are residential mortgages, credit card loans and other retail loans. The covered loan segment consists of only one class.

The Company's consumer lending segment utilizes several distinct business processes and channels to originate consumer credit, including traditional branch lending, mobile and on-line banking, indirect lending, correspondent banks and loan brokers. Each distinct underwriting and origination activity manages unique credit risk characteristics and prices its loan production commensurate with the differing risk profiles.

Residential mortgage originations are generally limited to prime borrowers and are performed through the Company's branches, loan production offices, mobile and on-line services and a wholesale network of originators. The Company may retain residential mortgage loans it originates on its balance sheet or sell the loans into the secondary market while retaining the servicing rights and customer relationships. Utilizing the secondary markets enables the Company to effectively reduce its credit and other asset/liability risks. For residential mortgages that are retained in the Company's portfolio and for home equity and second mortgages, credit risk is also diversified by geography and managed by adherence to LTV and borrower credit criteria during the underwriting process.

The Company estimates updated LTV information on its outstanding residential mortgages quarterly, based on a method that combines automated valuation model updates and relevant home price indices. LTV is the ratio of the loan's outstanding principal balance to the current estimate of property value. For home equity and second mortgages, combined loan-to-value ("CLTV") is the combination of the first mortgage original principal balance and the second lien outstanding principal balance, relative to the current estimate of property value. Certain loans do not have a LTV or CLTV, primarily due to lack of availability of relevant automated valuation model and/or home price indices values, or lack of necessary valuation data on acquired loans.

The following tables provide summary information of residential mortgages and home equity and second mortgages by LTV and borrower type at September 30, 2018:

Residential Mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	\$ 2,088	\$ 52,312	\$ 54,400	86.5%
Over 80% through 90%	7	4,054	4,061	6.5
Over 90% through 100%	3	457	460	.7
Over 100%	1	451	452	.7
No LTV available	—	48	48	.1
Loans purchased from GNMA mortgage pools (a)	—	3,483	3,483	5.5
Total	\$ 2,099	\$ 60,805	\$ 62,904	100.0%
Borrower Type				
Prime borrowers	\$ 2,099	\$ 56,292	\$ 58,391	92.8%
Sub-prime borrowers	—	727	727	1.2
Other borrowers	—	303	303	.5
Loans purchased from GNMA mortgage pools (a)	—	3,483	3,483	5.5
Total	\$ 2,099	\$ 60,805	\$ 62,904	100.0%

(a) Represents loans purchased from Government National Mortgage Association ("GNMA") mortgage pools whose payments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

Home Equity and Second Mortgages (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	\$ 11,760	\$ 781	\$ 12,541	78.6%
Over 80% through 90%	1,966	736	2,702	16.9
Over 90% through 100%	318	85	403	2.5
Over 100%	238	16	254	1.6
No LTV/CLTV available	55	11	66	.4
Total	\$ 14,337	\$ 1,629	\$ 15,966	100.0%
Borrower Type				
Prime borrowers	\$ 14,123	\$ 1,565	\$ 15,688	98.3%
Sub-prime borrowers	42	57	99	.6
Other borrowers	172	7	179	1.1
Total	\$ 14,337	\$ 1,629	\$ 15,966	100.0%

The total amount of consumer lending segment residential mortgage and home equity and second mortgage loans to customers that may be defined as sub-prime borrowers represented only 0.2 percent of the Company's total assets at September 30, 2018 and December 31, 2017. The Company considers sub-prime loans to be those loans made to borrowers with a risk of default significantly higher than those approved for prime lending programs, as reflected in credit scores obtained from independent agencies at loan origination, in addition to other credit underwriting criteria. Sub-prime portfolios include only loans originated according to the Company's underwriting programs

specifically designed to serve customers with weakened credit histories. The sub-prime designation indicators have been and will continue to be subject to re-evaluation over time as borrower characteristics, payment performance and economic conditions change. The sub-prime loans originated during periods from June 2009 and after are with borrowers who met the Company's program guidelines and have a credit score that generally is at or below a threshold of 620 to 650 depending on the program. Sub-prime loans originated during periods prior to June 2009 were based upon program level guidelines without regard to credit score.

Home equity and second mortgages were \$16.0 billion at September 30, 2018, compared with \$16.3 billion at December 31, 2017, and included \$4.3 billion of home equity lines in a first lien position and \$11.7 billion of home equity and second mortgage loans and lines in a junior lien position. Loans and lines in a junior lien position at September 30, 2018, included approximately \$4.9 billion of loans and lines for which the Company also serviced the related first lien loan, and approximately \$6.8 billion where the Company did not service the related first lien loan. The Company was able to determine the status of the related first liens using information the Company has as the servicer of the first lien or information reported on customer credit bureau files. The Company also evaluates other indicators of credit risk for these junior lien loans and lines including delinquency, estimated average CLTV ratios and updated weighted-average credit scores in making its assessment of credit risk, related loss estimates and determining the allowance for credit losses.

The following table provides a summary of delinquency statistics and other credit quality indicators for the Company's junior lien positions at September 30, 2018:

(Dollars in Millions)	Junior Liens Behind		Total
	Company Owned or Serviced First Lien	Third Party First Lien	
Total	\$ 4,858	\$ 6,845	\$ 11,703
Percent 30-89 days past due	.35%	.45%	.41%
Percent 90 days or more past due	.06%	.08%	.07%
Weighted-average CLTV	71%	67%	69%
Weighted-average credit score	779	775	777

See the "Analysis and Determination of the Allowance for Credit Losses" section for additional information on how the Company determines the allowance for credit losses for loans in a junior lien position.

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

	September 30, 2018	December 31, 2017
90 days or more past due excluding nonperforming loans		
Commercial		
Commercial	.07%	.06%
Lease financing	—	—
Total commercial	.06	.06
Commercial Real Estate		
Commercial mortgages	—	—
Construction and development	.03	.05
Total commercial real estate	.01	.01
Residential Mortgages (a)	.19	.22
Credit Card	1.18	1.28
Other Retail		
Retail leasing	.02	.03
Home equity and second mortgages	.32	.28
Other	.14	.15
Total other retail	.17	.17
Total loans, excluding covered loans	.19	.21
Covered Loans (b)	.86	4.74
Total loans	.20%	.26%
90 days or more past due including nonperforming loans		
Commercial	.28%	.31%
Commercial real estate	.27	.37
Residential mortgages (a)	.69	.96
Credit card	1.18	1.28
Other retail	.49	.46
Total loans, excluding covered loans	.48	.57
Covered loans (b)	.86	4.93
Total loans	.48%	.62%

(a) Delinquent loan ratios exclude \$1.7 billion at September 30, 2018, and \$1.9 billion December 31, 2017, of loans purchased from GNMA mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs. Including these loans, the ratio of residential mortgages 90 days or more past due including all nonperforming loans was 3.35 percent at September 30, 2018, and 4.16 percent at December 31, 2017.

(b) Effective September 30, 2018, the Company transferred \$1.3 billion of covered loans to loans held for sale. Included in the amount transferred were \$108 million of loans 90 days or more past due and \$6 million that were nonperforming.

Loan Delinquencies Trends in delinquency ratios are an indicator, among other considerations, of credit risk within the Company's loan portfolios. 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 \$551 million at September 30, 2018, compared with \$720 million at December 31, 2017. These balances exclude loans purchased from Government National Mortgage Association ("GNMA") mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs. Accruing loans 90 days or more past due are not included in nonperforming assets and continue to accrue interest because they are adequately secured by collateral, are in the process of collection and are reasonably expected to result in repayment or restoration to current status, or are managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines. The ratio of accruing loans 90 days or more past due to total loans was 0.20 percent at September 30, 2018, compared with 0.26 percent at December 31, 2017.

The following table provides summary delinquency information for residential mortgages, credit card and other retail loans included in the consumer lending segment:

(Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Residential Mortgages (a)				
30-89 days	\$ 167	\$ 198	.27%	.33%
90 days or more	118	130	.19	.22
Nonperforming	317	442	.50	.74
Total	\$ 602	\$ 770	.96%	1.29%
Credit Card				
30-89 days	\$ 309	\$ 302	1.42%	1.37%
90 days or more	259	284	1.18	1.28
Nonperforming	—	1	—	—
Total	\$ 568	\$ 587	2.60%	2.65%
Other Retail				
Retail Leasing				
30-89 days	\$ 32	\$ 33	.38%	.41%
90 days or more	2	2	.02	.03
Nonperforming	11	8	.13	.10
Total	\$ 45	\$ 43	.53%	.54%
Home Equity and Second Mortgages				
30-89 days	\$ 71	\$ 78	.45%	.48%
90 days or more	51	45	.32	.28
Nonperforming	125	126	.78	.77
Total	\$ 247	\$ 249	1.55%	1.53%
Other (b)				
30-89 days	\$ 262	\$ 265	.83%	.80%
90 days or more	44	48	.14	.15
Nonperforming	39	34	.12	.10
Total	\$ 345	\$ 347	1.09%	1.05%

- (a) Excludes \$414 million of loans 30-89 days past due and \$1.7 billion of loans 90 days or more past due at September 30, 2018, purchased from GNMA mortgage pools that continue to accrue interest, compared with \$385 million and \$1.9 billion at December 31, 2017, respectively.
- (b) Includes revolving credit, installment, automobile and student loans.

The following table provides summary delinquency information for covered loans:

(Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
30-89 days	\$ 6	\$ 50	.43%	1.61%
90 days or more	12	148	.86	4.74
Nonperforming	—	6	—	.19
Total (a)	\$ 18	\$ 204	1.29%	6.54%

(a) Effective September 30, 2018, the Company transferred \$1.3 billion of covered loans to loans held for sale. Included in the amount transferred were \$42 million of loans 30-89 days past due, \$108 million of loans 90 days or more past due and \$6 million that were nonperforming.

Restructured Loans In certain circumstances, the Company may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near-term. In most cases, the modification is either a concessionary reduction in interest rate, extension of the maturity date or reduction in the principal balance that would otherwise not be considered.

Troubled Debt Restructurings Concessionary modifications are classified as TDRs unless the modification results in only an insignificant delay in the payments to be received. TDRs accrue interest if the borrower complies with the revised terms and conditions and has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles, which is generally six months or greater. At September 30, 2018, performing TDRs were \$3.9 billion, compared with \$4.0 billion at December 31, 2017. Loans classified as TDRs are considered impaired loans for reporting and measurement purposes.

The Company continues to work with customers to modify loans for borrowers who are experiencing financial difficulties, including those loans acquired through FDIC-assisted acquisitions. Many of the Company's TDRs are determined on a case-by-case basis in connection with ongoing loan collection processes. The modifications vary within each of the Company's loan classes. Commercial lending segment TDRs generally include extensions of the maturity date and may be accompanied by an increase or decrease to the interest rate. The Company may also work with the borrower to make other changes to the loan to mitigate losses, such as obtaining additional collateral and/or guarantees to support the loan.

The Company has also implemented certain residential mortgage loan restructuring programs that may result in TDRs. The Company modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, and its own internal programs. Under these programs, the Company offers qualifying homeowners the opportunity to permanently modify their loan and achieve more affordable monthly payments by providing loan concessions. These concessions may include adjustments to interest rates, conversion of adjustable rates to fixed rates, extensions of maturity dates or deferrals of payments, capitalization of accrued interest and/or outstanding advances, or in limited situations, partial forgiveness of loan principal. In most instances, participation in residential mortgage loan restructuring programs requires the customer to complete a short-term trial period. A permanent loan modification is contingent on the customer successfully completing the trial period arrangement, and the loan documents are not modified until that time. The Company reports loans in a trial period arrangement as TDRs and continues to report them as TDRs after the trial period.

Credit card and other retail loan TDRs are generally part of distinct restructuring programs providing customers modification solutions over a specified time period, generally up to 60 months.

In accordance with regulatory guidance, the Company considers secured consumer loans that have had debt discharged through bankruptcy where the borrower has not reaffirmed the debt to be TDRs. If the loan amount exceeds the collateral value, the loan is charged down to collateral value and the remaining amount is reported as nonperforming.

Modifications to loans in the covered segment are similar in nature to that described above for non-covered loans, and the evaluation and determination of TDR status is similar, except that acquired loans restructured after acquisition are not considered TDRs for purposes of the Company's accounting and disclosure if the loans evidenced credit deterioration as of the acquisition date and are accounted for in pools. Losses associated with modifications on covered loans, including the economic impact of interest rate reductions, are generally eligible for reimbursement under the loss sharing agreements.

[Table of Contents](#)

The following table provides a summary of TDRs by loan class, including the delinquency status for TDRs that continue to accrue interest and TDRs included in nonperforming assets:

At September 30, 2018 (Dollars in Millions)	Performing TDRs	As a Percent of Performing TDRs		Nonperforming TDRs	Total TDRs
		30-89 Days Past Due	90 Days or More Past Due		
Commercial	\$ 237	2.7%	2.0%	\$ 129(a)	\$ 366
Commercial real estate	222	.6	—	36(b)	258
Residential mortgages	1,430	3.1	4.2	224	1,654(d)
Credit card	239	11.2	6.0	—	239
Other retail	134	6.6	6.6	49(c)	183(e)
TDRs, excluding GNMA and covered loans	2,262	3.9	3.9	438	2,700
Loans purchased from GNMA mortgage pools (g)	1,668	—	—	—	1,668(f)
Covered loans	10	7.5	2.5	—	10
Total	\$ 3,940	2.2%	2.2%	\$ 438	\$ 4,378

- (a) Primarily represents loans less than six months from the modification date that have not met the performance period required to return to accrual status (generally six months) and small business credit cards with a modified rate equal to 0 percent.
- (b) Primarily represents loans less than six months from the modification date that have not met the performance period required to return to accrual status (generally six months).
- (c) Primarily represents loans with a modified rate equal to 0 percent.
- (d) Includes \$299 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and \$46 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.
- (e) Includes \$74 million of other retail loans to borrowers that have had debt discharged through bankruptcy and \$12 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.
- (f) Includes \$195 million of Federal Housing Administration and United States Department of Veterans Affairs residential mortgage loans to borrowers that have had debt discharged through bankruptcy and \$398 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.
- (g) Approximately 5.7 percent and 46.1 percent of the total TDR loans purchased from GNMA mortgage pools are 30-89 days past due and 90 days or more past due, respectively, but are not classified as delinquent as their repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

Short-term Modifications The Company makes short-term modifications that it does not consider to be TDRs, in limited circumstances, to assist borrowers experiencing temporary hardships. Consumer lending programs include payment reductions, deferrals of up to three past due payments, and the ability to return to current status if the borrower makes required payments. The Company may also make short-term modifications to commercial lending loans, with the most common modification being an extension of the maturity date of three months or less. Such extensions generally are used when the maturity date is imminent and the borrower is experiencing some level of financial stress, but the Company believes the borrower will pay all contractual amounts owed. Short-term modified loans were not material at September 30, 2018.

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 and not accruing interest, restructured loans that have not met the performance period required to return to accrual status, other real estate owned (“OREO”) and other nonperforming assets owned by the Company. Nonperforming assets are generally either originated by the Company or acquired under FDIC loss sharing agreements that substantially reduce the risk of credit losses to the Company. Interest payments collected from assets on nonaccrual status are generally applied against the principal balance and not recorded as income. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible.

At September 30, 2018, total nonperforming assets were \$1.0 billion, compared with \$1.2 billion at December 31, 2017. The \$196 million (16.3 percent) decrease in nonperforming assets was driven by improvements in residential mortgages, commercial real estate loans, commercial loans and OREO, partially offset by increases in nonperforming other retail loans and other nonperforming assets. The ratio of total nonperforming assets to total loans and other real estate was 0.36 percent at September 30, 2018, compared with 0.43 percent at December 31, 2017.

OREO, excluding covered assets, was \$100 million at September 30, 2018, compared with \$141 million at December 31, 2017, and was related to foreclosed properties that previously secured loan balances. These balances exclude foreclosed GNMA loans whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

The following table provides an analysis of OREO, excluding covered assets, as a percent of their related loan balances, including geographical location detail for residential (residential mortgage, home equity and second mortgage) and commercial (commercial and commercial real estate) loan balances:

(Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Residential				
Illinois	\$ 11	\$ 14	.25%	.32%
New York	8	8	1.01	1.01
Minnesota	6	11	.10	.18
Wisconsin	5	8	.24	.38
Oregon	5	3	.15	.09
All other states	60	91	.10	.15
Total residential	95	135	.12	.18
Commercial				
California	3	4	.01	.02
Idaho	1	1	.09	.07
All other states	1	1	—	—
Total commercial	5	6	—	—
Total	\$ 100	\$ 141	.04%	.05%

Table 6 Nonperforming Assets (a)

(Dollars in Millions)	September 30, 2018	December 31, 2017
Commercial		
Commercial	\$ 193	\$ 225
Lease financing	23	24
Total commercial	216	249
Commercial Real Estate		
Commercial mortgages	77	108
Construction and development	28	34
Total commercial real estate	105	142
Residential Mortgages (b)	317	442
Credit Card	—	1
Other Retail		
Retail leasing	11	8
Home equity and second mortgages	125	126
Other	39	34
Total other retail	175	168
Total nonperforming loans, excluding covered loans	813	1,002
Covered Loans	—	6
Total nonperforming loans	813	1,008
Other Real Estate (c)	100	141
Covered Other Real Estate	19	21
Other Assets	72	30
Total nonperforming assets	\$ 1,004	\$ 1,200
Accruing loans 90 days or more past due (b)	\$ 551	\$ 720
Nonperforming loans to total loans	.29%	.36%
Nonperforming assets to total loans plus other real estate (c)	.36%	.43%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Residential Mortgages, Credit Card and Other Retail	Covered Assets	Total
Balance December 31, 2017	\$ 404	\$ 769	\$ 27	\$ 1,200
Additions to nonperforming assets				
New nonaccrual loans and foreclosed properties	265	247	10	522
Advances on loans	19	1	1	21
Total additions	284	248	11	543
Reductions in nonperforming assets				
Paydowns, payoffs	(152)	(108)	(1)	(261)
Net sales	(44)	(110)	(12)	(166)
Return to performing status	(11)	(132)	—	(143)
Charge-offs (d)	(148)	(21)	—	(169)
Total reductions	(355)	(371)	(13)	(739)
Net additions to (reductions in) nonperforming assets	(71)	(123)	(2)	(196)
Balance September 30, 2018	\$ 333	\$ 646	\$ 25	\$ 1,004

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

(b) Excludes \$1.7 billion and \$1.9 billion at September 30, 2018 and December 31, 2017, respectively, of loans purchased from GNMA mortgage pools that are 90 days or more past due that continue to accrue interest, as their repayments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

(c) Foreclosed GNMA loans of \$240 million and \$267 million at September 30, 2018, and December 31, 2017, respectively, continue to accrue interest and are recorded as other assets and excluded from nonperforming assets because they are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Commercial				
Commercial	.27%	.34%	.25%	.33%
Lease financing	.22	.29	.27	.27
Total commercial	.26	.34	.25	.33
Commercial Real Estate				
Commercial mortgages	(.07)	(.03)	(.04)	(.04)
Construction and development	(.14)	(.17)	(.04)	(.09)
Total commercial real estate	(.09)	(.07)	(.04)	(.06)
Residential Mortgages	.03	.05	.03	.06
Credit Card	3.75	3.55	3.91	3.73
Other Retail				
Retail leasing	.14	.10	.15	.13
Home equity and second mortgages	(.02)	(.02)	(.03)	(.02)
Other	.74	.73	.76	.74
Total other retail	.43	.42	.45	.44
Total loans, excluding covered loans	.47	.48	.48	.49
Covered Loans	—	—	—	—
Total loans	.46%	.47%	.48%	.49%

Analysis of Loan Net Charge-Offs Total loan net charge-offs were \$328 million for the third quarter and \$1.0 billion for the first nine months of 2018, compared with \$330 million and \$1.0 billion for the same periods of 2017. The ratio of total loan net charge-offs to average loans outstanding on an annualized basis for the third quarter and first nine months of 2018 was 0.46 percent and 0.48 percent, respectively, compared with 0.47 percent and 0.49 percent, respectively, for the same periods of 2017. The year-over-year decreases in total net charge-offs reflected lower commercial loan and residential mortgage net charge-offs, partially offset by higher credit card loan net charge-offs.

Analysis and Determination of the Allowance for Credit Losses The allowance for credit losses reserves for probable and estimable losses incurred in the Company's loan and lease portfolio, including unfunded credit commitments, and includes certain amounts that do not represent loss exposure to the Company because those losses are recoverable under loss sharing agreements with the FDIC. The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs. Management evaluates the adequacy of the allowance for incurred losses on a quarterly basis.

The allowance recorded for loans in the commercial lending segment is based on reviews of individual credit relationships and considers the migration analysis of commercial lending segment loans and actual loss experience. For each loan type, this historical loss experience is adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices or economic conditions. The results of the analysis are evaluated quarterly to confirm the selected loss experience is appropriate for each commercial loan type. The allowance recorded for impaired loans greater than \$5 million in the commercial lending segment is based on an individual loan analysis utilizing expected cash flows discounted using the original effective interest rate, the observable market price of the loan, or the fair value of the collateral, less selling costs, for collateral-dependent loans, rather than the migration analysis. The allowance recorded for all other commercial lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, delinquency status, bankruptcy experience, portfolio growth and historical losses, adjusted for current trends.

The allowance recorded for TDR loans and purchased impaired loans in the consumer lending segment is determined on a homogenous pool basis utilizing expected cash flows discounted using the original effective interest rate of the pool, or the prior quarter effective rate, respectively. The allowance for collateral-dependent loans in the consumer lending segment is determined based on the fair value of the collateral less costs to sell. The allowance recorded for all other consumer lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status, refreshed LTV ratios when possible, portfolio growth and historical losses, adjusted for current trends. Credit card and other retail loans 90 days or more past due are generally not placed on nonaccrual status because of the relatively short period of time to charge-off and, therefore, are excluded from nonperforming loans and measures that include nonperforming loans as part of the calculation.

When evaluating the appropriateness of the allowance for credit losses for any loans and lines in a junior lien position, the Company considers the delinquency and modification status of the first lien. At September 30, 2018, the Company serviced the first lien on 42 percent of the home equity loans and lines in a junior lien position. The Company also considers information received from its primary regulator on the status of the first liens that are

served by other large servicers in the industry and the status of first lien mortgage accounts reported on customer credit bureau files. Regardless of whether or not the Company services the first lien, an assessment is made of economic conditions, problem loans, recent loss experience and other factors in determining the allowance for credit losses. Based on the available information, the Company estimated \$286 million or 1.8 percent of its total home equity portfolio at September 30, 2018, represented non-delinquent junior liens where the first lien was delinquent or modified.

The Company uses historical loss experience on the loans and lines in a junior lien position where the first lien is serviced by the Company, or can be identified in credit bureau data, to establish loss estimates for junior lien loans and lines the Company services that are current, but the first lien is delinquent or modified. Historically, the number of junior lien defaults has been a small percentage of the total portfolio (approximately 1 percent annually), while the long-term average loss rate on loans that default has been approximately 90 percent. In addition, the Company obtains updated credit scores on its home equity portfolio each quarter, and in some cases more frequently, and uses this information to qualitatively supplement its loss estimation methods. Credit score distributions for the portfolio are monitored monthly and any changes in the distribution are one of the factors considered in assessing the Company's loss estimates. In its evaluation of the allowance for credit losses, the Company also considers the increased risk of loss associated with home equity lines that are contractually scheduled to convert from a revolving status to a fully amortizing payment and with residential lines and loans that have a balloon payoff provision.

The allowance for the covered loan segment is evaluated each quarter in a manner similar to that described for non-covered loans, and represents any decreases in expected cash flows on those loans after the acquisition date. The provision for credit losses for covered loans considers the indemnification provided by the FDIC.

In addition, the evaluation of the appropriate allowance for credit losses on purchased non-impaired loans acquired after January 1, 2009, in the various loan segments considers credit discounts recorded as a part of the initial determination of the fair value of the loans. For these loans, no allowance for credit losses is recorded at the purchase date. Credit discounts representing the principal losses expected over the life of the loans are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Company records a provision for credit losses only when the required allowance, net of any expected reimbursement under any loss sharing agreements with the FDIC, exceeds any remaining credit discounts.

The evaluation of the appropriate allowance for credit losses for purchased impaired loans in the various loan segments considers the expected cash flows to be collected from the borrower. These loans are initially recorded at fair value and, therefore, no allowance for credit losses is recorded at the purchase date.

Subsequent to the purchase date, the expected cash flows of purchased loans are subject to evaluation. Decreases in expected cash flows are recognized by recording an allowance for credit losses with the related provision for credit losses reduced for the amount reimbursable by the FDIC, where applicable. If the expected cash flows on the purchased loans increase such that a previously recorded impairment allowance can be reversed, the Company records a reduction in the allowance with a related reduction in losses reimbursable by the FDIC, where applicable. Increases in expected cash flows of purchased loans, when there are no reversals of previous impairment allowances, are recognized over the remaining life of the loans and resulting decreases in expected cash flows of the FDIC indemnification assets are amortized over the shorter of the remaining contractual term of the indemnification agreements or the remaining life of the loans.

The Company's methodology for determining the appropriate allowance for credit losses for all the loan segments also considers the imprecision inherent in the methodologies used. As a result, in addition to the amounts determined under the methodologies described above, management also considers the potential impact of other qualitative factors which include, but are not limited to, the following: economic factors; geographic and other concentration risks; delinquency and nonaccrual trends; current business conditions; changes in lending policy, underwriting standards and other relevant business practices; results of internal review; and the regulatory environment. The consideration of these items results in adjustments to allowance amounts included in the Company's allowance for credit losses for each of the above loan segments.

Refer to "Management's Discussion and Analysis — Analysis of the Allowance for Credit Losses" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for further discussion on the analysis and determination of the allowance for credit losses.

At September 30, 2018, the allowance for credit losses was \$4.4 billion (1.57 percent of period-end loans), compared with an allowance of \$4.4 billion (1.58 percent of period-end loans) at December 31, 2017. The ratio of the allowance for credit losses to nonperforming loans was 544 percent at September 30, 2018, compared with 438 percent at December 31, 2017. The ratio of the allowance for credit losses to annualized loan net charge-offs was 340 percent at September 30, 2018, compared with 332 percent of full-year 2017 net charge-offs at December 31, 2017.

Table 8 Summary of Allowance for Credit Losses

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	\$ 4,411	\$ 4,377	\$ 4,417	\$ 4,357
Charge-Offs				
Commercial				
Commercial	83	109	248	296
Lease financing	5	6	17	19
Total commercial	88	115	265	315
Commercial real estate				
Commercial mortgages	1	1	4	5
Construction and development	—	1	2	2
Total commercial real estate	1	2	6	7
Residential mortgages	12	16	37	49
Credit card	231	214	727	653
Other retail				
Retail leasing	6	3	16	11
Home equity and second mortgages	6	8	18	25
Other	84	75	249	227
Total other retail	96	86	283	263
Covered loans (a)	—	—	—	—
Total charge-offs	428	433	1,318	1,287
Recoveries				
Commercial				
Commercial	20	30	75	71
Lease financing	2	2	6	8
Total commercial	22	32	81	79
Commercial real estate				
Commercial mortgages	6	3	13	15
Construction and development	4	6	5	10
Total commercial real estate	10	9	18	25
Residential mortgages	8	9	22	22
Credit card	25	27	100	72
Other retail				
Retail leasing	3	1	7	4
Home equity and second mortgages	7	9	22	28
Other	25	16	67	52
Total other retail	35	26	96	84
Covered loans (a)	—	—	—	—
Total recoveries	100	103	317	282
Net Charge-Offs				
Commercial				
Commercial	63	79	173	225
Lease financing	3	4	11	11
Total commercial	66	83	184	236
Commercial real estate				
Commercial mortgages	(5)	(2)	(9)	(10)
Construction and development	(4)	(5)	(3)	(8)
Total commercial real estate	(9)	(7)	(12)	(18)
Residential mortgages	4	7	15	27
Credit card	206	187	627	581
Other retail				
Retail leasing	3	2	9	7
Home equity and second mortgages	(1)	(1)	(4)	(3)
Other	59	59	182	175
Total other retail	61	60	187	179
Covered loans (a)	—	—	—	—
Total net charge-offs	328	330	1,001	1,005
Provision for credit losses	343	360	1,011	1,055
Other changes (b)	—	—	(1)	—
Balance at end of period (c)	\$ 4,426	\$ 4,407	\$ 4,426	\$ 4,407
Components				
Allowance for loan losses	\$ 3,954	\$ 3,908		
Liability for unfunded credit commitments	472	499		
Total allowance for credit losses	\$ 4,426	\$ 4,407		
Allowance for Credit Losses as a Percentage of				
Period-end loans	1.57%	1.58%		
Nonperforming loans	544	426		
Nonperforming and accruing loans 90 days or more past due	324	262		
Nonperforming assets	441	352		
Annualized net charge-offs	340	337		

(a) Relates to covered loan charge-offs and recoveries not reimbursable by the FDIC.

(b) Includes net changes in credit losses to be reimbursed by the FDIC and reductions in the allowance for covered loans where the reversal of a previously recorded allowance was offset by an associated decrease in the indemnification asset, and the impact of any loan sales.

(c) At September 30, 2018 and 2017, \$1.7 billion of the total allowance for credit losses related to incurred losses on credit card and other retail loans.

Residual Value 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 September 30, 2018, no significant change in the amount of residual values or concentration of the portfolios had occurred since December 31, 2017. Refer to “Management’s Discussion and Analysis — Residual Value Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, for further discussion on residual value risk management.

Operational Risk Management Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of the Company’s objectives. Business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities. The Company maintains a system of controls with the objective of providing proper transaction authorization and execution, proper system operations, proper oversight of third parties with whom it does business, safeguarding of assets from misuse or theft, and ensuring the reliability and security of financial and other data. 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, 2017, for further discussion on operational risk management.

Compliance Risk Management The Company may suffer legal or regulatory sanctions, material financial loss, or damage to reputation through failure to comply with laws, regulations, rules, standards of good practice, and codes of conduct, including those related to compliance with Bank Secrecy Act/anti-money laundering requirements, sanctions compliance requirements as administered by the Office of Foreign Assets Control, consumer protection and other requirements. The Company has controls and processes in place for the assessment, identification, monitoring, management and reporting of compliance risks and issues. Refer to “Management’s Discussion and Analysis — Compliance Risk Management” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, for further discussion on compliance risk management.

Interest Rate Risk Management In the banking industry, changes in interest rates are a significant risk that can impact earnings, market valuations and the safety and soundness of an entity. To manage the impact on net interest income and 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 Management Committee (“ALCO”) and approved by the Board of Directors. The ALCO has the responsibility for approving and ensuring compliance with the ALCO 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. The Company has established policy limits within which it manages the overall interest rate risk profile, and at September 30, 2018 and December 31, 2017, the Company was within those limits.

Net Interest Income Simulation Analysis Management estimates the impact on net interest income of changes in market interest rates under a number of scenarios, including gradual shifts, immediate and sustained parallel shifts, and flattening or steepening of the yield curve. Table 9 summarizes the projected impact to net interest income over the next 12 months of various potential interest rate changes. The sensitivity of the projected impact to net interest income over the next 12 months is dependent on balance sheet growth, product mix, deposit behavior, pricing and funding decisions. While the Company utilizes assumptions based on historical information and expected behaviors, actual outcomes could vary significantly. For example, if deposit outflows are more limited (stable) than the assumptions the Company used in preparing Table 9, the projected impact to net interest income would increase to 1.72 percent in the “Up 50 basis point (“bps”)” and 3.85 percent in the “Up 200 bps” scenarios. 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, 2017, for further discussion on net interest income simulation analysis.

Table 9 Sensitivity of Net Interest Income

	September 30, 2018				December 31, 2017			
	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual
Net interest income	(1.42)%	1.02%	(3.84)%	1.49%	(2.07)%	1.13%	*	1.72%

* Given the level of interest rates, downward rate scenario is not computed.

Market Value of Equity Modeling The Company also manages interest rate sensitivity by utilizing market value of equity modeling, which 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. Management measures the impact of changes in market interest rates under a number of scenarios, including immediate and sustained parallel shifts, and flattening or steepening of the yield curve. A 200 bps increase would have resulted in a 3.7 percent decrease in the market value of equity at September 30, 2018, compared with a 3.1 percent decrease at December 31, 2017. A 200 bps decrease would have resulted in a 5.2 percent decrease in the market value of equity at September 30, 2018, compared with an 8.0 percent decrease at December 31, 2017. 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, 2017, for further discussion on market value of equity modeling.

Use of Derivatives to Manage Interest Rate and Other Risks To manage the sensitivity of earnings and capital to interest rate, prepayment, credit, price and foreign currency fluctuations (asset and liability management positions), the Company enters into derivative transactions. The Company uses derivatives for asset and liability management purposes primarily in the following ways:

- To convert fixed-rate debt from fixed-rate payments to floating-rate payments;
- To convert the cash flows associated with floating-rate debt from floating-rate payments to fixed-rate payments;
- To mitigate changes in value of the Company's unfunded mortgage loan commitments, funded MLHFS and MSRs;
- To mitigate remeasurement volatility of foreign currency denominated balances; and
- To mitigate the volatility of the Company's net investment in foreign operations driven by fluctuations in foreign currency exchange rates.

The Company may enter into derivative contracts that are either exchange-traded, centrally cleared through clearinghouses or over-the-counter. In addition, the Company enters into interest rate and foreign exchange derivative contracts to support the business requirements of its customers (customer-related positions). The Company minimizes the market and liquidity risks of customer-related positions by either entering into similar offsetting positions with broker-dealers, or on a portfolio basis by entering into other derivative or non-derivative financial instruments that partially or fully offset the exposure from these customer-related positions. The Company does not utilize derivatives for speculative purposes.

The Company does not designate all of the derivatives that it enters into for risk management purposes as accounting hedges because of the inefficiency of applying the accounting requirements and may instead elect fair value accounting for the related hedged items. In particular, the Company enters into interest rate swaps, swaptions, forward commitments to buy to-be-announced securities ("TBAs"), U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures to mitigate fluctuations in the value of its MSRs, but does not designate those derivatives as accounting hedges.

Additionally, the Company uses forward commitments to sell TBAs and other commitments to sell residential mortgage loans at specified prices to economically hedge the interest rate risk in its residential mortgage loan production activities. At September 30, 2018, the Company had \$4.0 billion of forward commitments to sell, hedging \$2.2 billion of MLHFS and \$2.3 billion of unfunded mortgage loan commitments. The forward commitments to sell and the unfunded mortgage loan commitments on loans intended to be sold are considered derivatives under the accounting guidance related to accounting for derivative instruments and hedging activities. The Company has elected the fair value option for the MLHFS.

Derivatives are subject to credit risk associated with counterparties to the contracts. Credit risk associated with derivatives is measured by the Company based on the probability of counterparty default. The Company manages the credit risk of its derivative positions by diversifying its positions among various counterparties, by entering into master netting arrangements, and, where possible, by requiring collateral arrangements. The Company may also transfer counterparty credit risk related to interest rate swaps to third parties through the use of risk participation agreements. In addition, certain interest rate swaps, interest rate forwards and credit contracts are required to be centrally cleared through clearinghouses to further mitigate counterparty credit risk.

For additional information on derivatives and hedging activities, refer to Notes 12 and 13 in the Notes to Consolidated Financial Statements.

Market Risk Management In addition to interest rate risk, the Company is exposed to other forms of market risk, principally related to trading activities which support customers' strategies to manage their own foreign currency, interest rate risk and funding activities. For purposes of its internal capital adequacy assessment

process, the Company considers risk arising from its trading activities employing methodologies consistent with the requirements of regulatory rules for market risk. The Company's Market Risk Committee ("MRC"), within the framework of the ALCO, oversees market risk management. The MRC monitors and reviews the Company's trading positions and establishes policies for market risk management, including exposure limits for each portfolio. The Company uses a VaR approach to measure general market risk. Theoretically, VaR represents the statistical risk of loss the Company has to adverse market movements over a one-day time horizon. The Company uses the Historical Simulation method to calculate VaR for its trading businesses measured at the ninety-ninth percentile using a one-year look-back period for distributions derived from past market data. The market factors used in the calculations include those pertinent to market risks inherent in the underlying trading portfolios, principally those that affect the Company's corporate bond trading business, foreign currency transaction business, client derivatives business, loan trading business and municipal securities business. On average, the Company expects the one-day VaR to be exceeded by actual losses two to three times per year for its trading businesses. The Company monitors the effectiveness of its risk programs by back-testing the performance of its VaR models, regularly updating the historical data used by the VaR models and stress testing. If the Company were to experience market losses in excess of the estimated VaR more often than expected, the VaR models and associated assumptions would be analyzed and adjusted.

The average, high, low and period-end one-day VaR amounts for the Company's trading positions were as follows:

Nine Months Ended September 30 (Dollars in Millions)		2018	2017
Average		\$ 1	\$ 1
High		1	1
Low		1	1
Period-end		1	1

The Company did not experience any actual trading losses for its combined trading businesses that exceeded VaR during the nine months ended September 30, 2018 and 2017. The Company stress tests its market risk measurements to provide management with perspectives on market events that may not be captured by its VaR models, including worst case historical market movement combinations that have not necessarily occurred on the same date.

The Company calculates Stressed VaR using the same underlying methodology and model as VaR, except that a historical continuous one-year look-back period is utilized that reflects a period of significant financial stress appropriate to the Company's trading portfolio. The period selected by the Company includes the significant market volatility of the last four months of 2008.

The average, high, low and period-end one-day Stressed VaR amounts for the Company's trading positions were as follows:

Nine Months Ended September 30 (Dollars in Millions)		2018	2017
Average		\$ 5	\$ 4
High		8	6
Low		2	2
Period-end		6	6

Valuations of positions in the client derivatives and foreign currency transaction businesses are based on discounted cash flow or other valuation techniques using market-based assumptions. These valuations are compared to third party quotes or other market prices to determine if there are significant variances. Significant variances are approved by the Company's market risk management department. Valuation of positions in the corporate bond trading, loan trading and municipal securities businesses are based on trader marks. These trader marks are evaluated against third party prices, with significant variances approved by the Company's risk management department.

The Company also measures the market risk of its hedging activities related to residential MLHFS and MSRs using the Historical Simulation method. The VaRs are measured at the ninety-ninth percentile and employ factors pertinent to the market risks inherent in the valuation of the assets and hedges. The Company monitors the effectiveness of the models through back-testing, updating the data and regular validations. A three-year look-back period is used to obtain past market data for the models.

The average, high and low VaR amounts for the residential MLHFS and related hedges and the MSRs and related hedges were as follows:

Nine Months Ended September 30 (Dollars in Millions)		2018	2017
Residential Mortgage Loans Held For Sale and Related Hedges			
Average		\$ 1	\$ —
High		2	1
Low		—	—
Mortgage Servicing Rights and Related Hedges			
Average		\$ 6	\$ 8
High		7	10
Low		4	6

Liquidity Risk Management The Company's liquidity risk management process is designed to identify, measure, and manage the Company's funding and liquidity risk to meet its daily funding needs and to address expected and unexpected changes in its funding requirements. The Company engages in various activities to manage its liquidity risk. These activities include diversifying its funding sources, stress testing, and holding readily-marketable assets which can be used as a source of liquidity if needed. In addition, the Company's profitable operations, sound credit quality and strong capital position have enabled it to develop a large and reliable base of core deposit funding within its market areas and in domestic and global capital markets.

The Company's Board of Directors approves the Company's liquidity policy. The Risk Management Committee of the Company's Board of Directors oversees the Company's liquidity risk management process and approves a contingency funding plan. The ALCO reviews the Company's liquidity policy and limits, and regularly assesses the Company's ability to meet funding requirements arising from adverse company-specific or market events.

The Company regularly projects its funding needs under various stress scenarios and maintains a contingency funding plan consistent with the Company's access to diversified sources of contingent funding. The Company maintains a substantial level of total available liquidity in the form of on-balance sheet and off-balance sheet funding sources. These liquidity sources include cash at the Federal Reserve Bank and certain European central banks, unencumbered liquid assets, and capacity to borrow at the FHLB and the Federal Reserve Bank's Discount Window. At September 30, 2018, the fair value of unencumbered available-for-sale and held-to-maturity investment securities totaled \$98.9 billion, compared with \$100.3 billion at December 31, 2017. Refer to Table 4 and "Balance Sheet Analysis" for further information on investment securities maturities and trends. Asset liquidity is further enhanced by the Company's practice of pledging loans to access secured borrowing facilities through the FHLB and Federal Reserve Bank. At September 30, 2018, the Company could have borrowed an additional \$92.1 billion from the FHLB and Federal Reserve Bank based on collateral available for additional borrowings.

The Company's diversified deposit base provides a sizeable source of relatively stable and low-cost funding, while reducing the Company's reliance on the wholesale markets. Total deposits were \$331.2 billion at September 30, 2018, compared with \$347.2 billion at December 31, 2017. Refer to "Balance Sheet Analysis" for further information on the Company's deposits.

Additional funding is provided by long-term debt and short-term borrowings. Long-term debt was \$40.9 billion at September 30, 2018, and is an important funding source because of its multi-year borrowing structure. Short-term borrowings were \$23.9 billion at September 30, 2018, and supplement the Company's other funding sources. Refer to "Balance Sheet Analysis" for further information on the Company's long-term debt and short-term borrowings.

In addition to assessing liquidity risk on a consolidated basis, the Company monitors the parent company's liquidity. The Company establishes limits for the minimal number of months into the future where the parent company can meet existing and forecasted obligations with cash and securities held that can be readily monetized. The Company measures and manages this limit in both normal and adverse conditions. The Company maintains sufficient funding to meet expected capital and debt service obligations for 24 months without the support of dividends from subsidiaries and assuming access to the wholesale markets is maintained. The Company maintains sufficient liquidity to meet its capital and debt service obligations for 12 months under adverse conditions without the support of dividends from subsidiaries or access to the wholesale markets. The parent company is currently well in excess of required liquidity minimums.

At September 30, 2018, parent company long-term debt outstanding was \$17.1 billion, compared with \$15.8 billion at December 31, 2017. The increase was primarily due to the issuance of \$1.3 billion of medium-term notes. As of September 30, 2018, there was \$1.5 billion of parent company debt scheduled to mature in the remainder of 2018.

The Company is subject to a regulatory Liquidity Coverage Ratio ("LCR") requirement which requires banks to maintain an adequate level of unencumbered high quality liquid assets to meet estimated liquidity needs over a 30-day stressed period. At September 30, 2018, the Company was compliant with this requirement.

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, 2017, for further discussion on liquidity risk management.

European Exposures The Company provides merchant processing and corporate trust services in Europe either directly or through banking affiliations in Europe. Operating cash for these businesses is deposited on a short-term basis typically with certain European central banks. For deposits placed at other European banks,

exposure is mitigated by the Company placing deposits at multiple banks and managing the amounts on deposit at any bank based on institution-specific deposit limits. At September 30, 2018, the Company had an aggregate amount on deposit with European banks of approximately \$8.1 billion, predominately with the Central Bank of Ireland and Bank of England.

In addition, the Company provides financing to domestic multinational corporations that generate revenue from customers in European countries, transacts with various European banks as counterparties to certain derivative-related activities, and through a subsidiary, manages money market funds that hold certain investments in European sovereign debt. Any deterioration in economic conditions in Europe is unlikely to have a significant effect on the Company related to these activities.

Off-Balance Sheet Arrangements Off-balance sheet arrangements include any contractual arrangements 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. 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. Refer to Note 15 of the Notes to Consolidated Financial Statements for further information on these arrangements. The Company does not utilize private label asset securitizations as a source of funding. Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity that provides financing, liquidity, credit enhancement or market risk support. Refer to Note 5 of the Notes to Consolidated Financial Statements for further information related to the Company's interests in variable interest entities.

Capital Management The Company is committed to managing capital to maintain strong protection for depositors and creditors and for maximum shareholder benefit. The Company also manages its capital to exceed regulatory capital requirements for banking organizations. The regulatory capital requirements effective for the Company follow Basel III, which includes two comprehensive methodologies for calculating risk-weighted assets: a general standardized approach and more risk-sensitive advanced approaches, with the Company's capital adequacy being evaluated against the methodology that is most restrictive. Currently, the standardized approach is the most restrictive. Beginning January 1, 2018, the regulatory capital requirements reflect the full implementation of Basel III. Prior to 2018, the Company's capital ratios reflected certain transitional adjustments. Table 10 provides a summary of statutory regulatory capital ratios in effect for the Company at September 30, 2018 and December 31, 2017. All regulatory ratios exceeded regulatory "well-capitalized" requirements. At September 30, 2018, the Company's common equity tier 1 capital ratio using the Basel III standardized approach was 9.0 percent, compared with an estimated fully implemented common equity tier 1 capital ratio using the Basel III standardized approach of 9.1 percent at December 31, 2017.

The Company believes certain other capital ratios are useful in evaluating its capital adequacy. The Company's tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets calculated under the standardized approach, was 7.7 percent and 9.3 percent, respectively, at September 30, 2018, compared with 7.6 percent and 9.4 percent, respectively, at December 31, 2017.

Total U.S. Bancorp shareholders' equity was \$50.4 billion at September 30, 2018, compared with \$49.0 billion at December 31, 2017. The increase was primarily the result of the Company's earnings and a preferred stock issuance, partially offset by common share repurchases, dividends and changes in unrealized gains and losses on available-for-sale investment securities included in other comprehensive income (loss).

Table 10 Regulatory Capital Ratios

(Dollars in Millions)	September 30, 2018	December 31, 2017
Basel III standardized approach:		
Common equity tier 1 capital	\$ 34,097	\$ 34,369
Tier 1 capital	40,114	39,806
Total risk-based capital	47,531	47,503
Risk-weighted assets	377,713	367,771
Common equity tier 1 capital as a percent of risk-weighted assets	9.0%	9.3%
Tier 1 capital as a percent of risk-weighted assets	10.6	10.8
Total risk-based capital as a percent of risk-weighted assets	12.6	12.9
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	9.0	8.9
Basel III advanced approaches:		
Common equity tier 1 capital	\$ 34,097	\$ 34,369
Tier 1 capital	40,114	39,806
Total risk-based capital	44,492	44,477
Risk-weighted assets	289,600	287,211
Common equity tier 1 capital as a percent of risk-weighted assets	11.8%	12.0%
Tier 1 capital as a percent of risk-weighted assets	13.9	13.9
Total risk-based capital as a percent of risk-weighted assets	15.4	15.5
Tier 1 capital as a percent of total on- and off-balance sheet leverage exposure (total leverage exposure ratio)	7.2	

On June 28, 2018, the Company announced its Board of Directors had approved an authorization to repurchase up to \$3.0 billion of its common stock, from July 1, 2018 through June 30, 2019.

The following table provides a detailed analysis of all shares purchased by the Company or any affiliated purchaser during the third quarter of 2018:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In Millions)
July	7,231,555	\$ 52.11	7,231,555	\$ 2,623
August	4,217,974	53.51	4,217,974	2,398
September	2,772,471	54.23	2,772,471	2,247
Total	14,222,000	\$ 52.94	14,222,000	\$ 2,247

(a) All shares were purchased under the July 1, 2018 through June 30, 2019, \$3.0 billion common stock repurchase authorization program announced on June 28, 2018.

On September 18, 2018, the Company announced its Board of Directors had approved a 23 percent increase in the Company's dividend rate per common share from \$0.30 per quarter to \$0.37 per quarter.

Refer to "Management's Discussion and Analysis — Capital Management" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, for further discussion on capital management.

LINE OF BUSINESS FINANCIAL REVIEW

The Company's major lines of business are Corporate and Commercial Banking, Consumer and Business Banking, Wealth Management and Investment Services, Payment Services, and Treasury and Corporate Support. These operating segments are components of the Company about which financial information is prepared and is evaluated regularly by management 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. The allowance for credit losses and related provision expense are allocated to the lines of business based on the related loan balances managed. 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, 2017, 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 the Company's diverse customer base. During 2018, certain organization and methodology changes were made and, accordingly, 2017 results were restated and presented on a comparable basis.

Corporate and Commercial Banking Corporate and Commercial Banking offers lending, equipment finance and small-ticket leasing, depository services, treasury management, capital markets services, international trade services and other financial services to middle market, large corporate, commercial real estate, financial institution, non-profit and public sector clients. Corporate and Commercial Banking contributed \$394 million of the Company's net income in the third quarter and \$1.2 billion in the first nine months of 2018, or increases of \$30 million (8.2 percent) and \$123 million (11.4 percent), respectively, compared with the same periods of 2017.

Net revenue decreased \$14 million (1.5 percent) in the third quarter and \$58 million (2.0 percent) in the first nine months of 2018, compared with the same periods of 2017. Noninterest income decreased \$18 million (8.2 percent) in the third quarter and \$74 million (10.5 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to lower corporate bond underwriting fees, syndication fees and loan fees. Net interest income, on a taxable-equivalent basis, increased \$4 million (0.5 percent) in the third quarter and \$16 million (0.7 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to the impact of rising rates on the margin benefit from deposits, offset by lower rates on loans, reflecting a competitive marketplace, loan mix and lower deposits. Noninterest bearing deposits are declining as customers deploy balances to support business growth. Decreases in interest-bearing deposits reflect expected balance run-off related to the business merger of a larger financial services customer.

Noninterest expense decreased \$10 million (2.6 percent) in the third quarter and increased \$8 million (0.7 percent) in the first nine months of 2018, compared with the same periods of 2017. The changes reflect lower FDIC insurance expense and lower variable compensation expense related to capital markets activities, offset by higher net shared services expense driven by technology development and investment in infrastructure. The provision for credit losses increased \$44 million in the third quarter and \$28 million in the first nine months of 2018, compared with the same periods of 2017, reflecting unfavorable changes in the reserve allocation, partially offset by lower net charge-offs.

Consumer and Business Banking Consumer and Business Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices. It encompasses community banking, metropolitan banking and indirect lending, as well as mortgage banking. Consumer and Business Banking contributed \$596 million of the Company's net income in the third quarter and \$1.7 billion in the first nine months of 2018, or increases of \$114 million (23.7 percent) and \$352 million (25.9 percent), respectively, compared with the same periods of 2017.

Net revenue increased \$48 million (2.3 percent) in the third quarter and \$199 million (3.2 percent) in the first nine months of 2018, compared with the same periods of 2017. Net interest income, on a taxable-equivalent basis, increased \$82 million (5.6 percent) in the third quarter and \$250 million (5.8 percent) in the first nine months of 2018, compared with the same periods of 2017. The increases were primarily due to the impact of rising rates on the margin benefit from deposits along with growth in average loan and core deposit balances, partially offset by lower rates on loans. Noninterest income decreased \$34 million (5.5 percent) in the third quarter and \$51 million (2.8 percent) in the first nine months of 2018, compared with the same periods of 2017, principally driven by lower mortgage banking revenue, in line with industry trends, primarily due to lower mortgage production and gain on sale margins, and a reduction in other noninterest income driven by lower end of term gains in retail leasing due to lower vehicle sales. These decreases were partially offset by higher deposit service charges and ATM processing services fees, reflecting higher transaction volumes.

Noninterest expense increased \$50 million (4.0 percent) in the third quarter and \$131 million (3.5 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to higher net shared services expense and higher personnel expense, reflecting the impact of investments supporting business growth and development as well as higher production related incentives. These increases were partially offset by lower mortgage banking costs. The provision for credit losses decreased \$39 million (41.9 percent) in the third quarter and \$78 million (32.2 percent) in the first nine months of 2018, compared with the same periods of 2017, reflecting favorable changes in the reserve allocation as well as lower net charge-offs.

Wealth Management and Investment Services Wealth Management and Investment Services provides private banking, financial advisory services, investment management, retail brokerage services, insurance, trust, custody and fund servicing through five businesses: Wealth Management, Corporate Trust Services, U.S. Bancorp Asset Management, Institutional Trust & Custody and Fund Services. Wealth Management and Investment Services contributed \$221 million of the Company's net income in the third quarter and \$623 million in the first nine months of 2018, or increases of \$59 million (36.4 percent) and \$145 million (30.3 percent), respectively, compared with the same periods of 2017.

Net revenue increased \$62 million (9.4 percent) in the third quarter and \$181 million (9.2 percent) in the first nine months of 2018, compared with the same periods of 2017. Net interest income, on a taxable-equivalent basis, increased \$29 million (11.5 percent) in the third quarter and \$97 million (13.1 percent) in the first nine months of 2018, compared with the same periods of 2017. The increases were primarily due to the impact of rising rates on the margin benefit from deposits. Noninterest income increased \$33 million (8.0 percent) in the third quarter and \$84 million (6.9 percent) in the first nine months of 2018, compared with the same periods of 2017, principally due to favorable market conditions, business growth and net asset inflows.

Noninterest expense increased \$25 million (6.1 percent) in the third quarter and \$104 million (8.6 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to increased net shared services expense and higher personnel expense driven by investments to support business growth, higher production related incentives and increased staffing to support business development. Noninterest expense further increased in the first nine months of 2018, compared to the same period of the prior year, as a result of settling certain litigation matters during the current year.

Payment Services Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate, government and purchasing card services, consumer lines of credit and merchant processing. Payment Services contributed \$393 million of the Company's net income in the third quarter and \$1.1 billion in the first nine months of 2018, or increases of \$82 million (26.4 percent) and \$207 million (23.2 percent), respectively, compared with the same periods of 2017.

Net revenue increased \$65 million (4.4 percent) in the third quarter and \$193 million (4.5 percent) in the first nine months of 2018, compared with the same periods of 2017. Noninterest income increased \$60 million (7.1 percent) in the third quarter and \$163 million (6.5 percent) in the first nine months of

Table 11 Line of Business Financial Performance

Three Months Ended September 30 (Dollars in Millions)	Corporate and Commercial Banking			Consumer and Business Banking		
	2018	2017	Percent Change	2018	2017	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	\$ 739	\$ 735	.5%	\$ 1,557	\$ 1,475	5.6%
Noninterest income	201	219	(8.2)	582	616	(5.5)
Securities gains (losses), net	—	—	—	—	—	—
Total net revenue	940	954	(1.5)	2,139	2,091	2.3
Noninterest expense	379	389	(2.6)	1,283	1,232	4.1
Other intangibles	1	1	—	7	8	(12.5)
Total noninterest expense	380	390	(2.6)	1,290	1,240	4.0
Income before provision and income taxes	560	564	(.7)	849	851	(.2)
Provision for credit losses	35	(9)	*	54	93	(41.9)
Income before income taxes	525	573	(8.4)	795	758	4.9
Income taxes and taxable-equivalent adjustment	131	209	(37.3)	199	276	(27.9)
Net income	394	364	8.2	596	482	23.7
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—
Net income attributable to U.S. Bancorp	\$ 394	\$ 364	8.2	\$ 596	\$ 482	23.7
Average Balance Sheet						
Commercial	\$ 74,828	\$ 73,825	1.4%	\$ 9,985	\$ 10,119	(1.3)%
Commercial real estate	18,529	20,111	(7.9)	16,232	16,668	(2.6)
Residential mortgages	6	6	—	58,624	56,111	4.5
Credit card	—	—	—	—	—	—
Other retail	1	—	*	53,742	53,830	(.2)
Total loans, excluding covered loans	93,364	93,942	(.6)	138,583	136,728	1.4
Covered loans	—	—	—	2,756	3,347	(17.7)
Total loans	93,364	93,942	(.6)	141,339	140,075	.9
Goodwill	1,647	1,647	—	3,631	3,632	—
Other intangible assets	10	13	(23.1)	2,974	2,702	10.1
Assets	102,146	102,267	(.1)	155,586	154,748	.5
Noninterest-bearing deposits	32,539	35,401	(8.1)	28,005	28,389	(1.4)
Interest checking	9,627	9,710	(.9)	50,319	47,301	6.4
Savings products	40,356	45,138	(10.6)	61,600	60,673	1.5
Time deposits	18,571	19,613	(5.3)	13,634	12,888	5.8
Total deposits	101,093	109,862	(8.0)	153,558	149,251	2.9
Total U.S. Bancorp shareholders' equity	10,426	9,951	4.8	11,847	11,147	6.3

Nine Months Ended September 30 (Dollars in Millions)	Corporate and Commercial Banking			Consumer and Business Banking		
	2018	2017	Percent Change	2018	2017	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	\$ 2,186	\$ 2,170	.7%	\$ 4,587	\$ 4,337	5.8%
Noninterest income	632	709	(10.9)	1,741	1,792	(2.8)
Securities gains (losses), net	—	(3)	*	—	—	—
Total net revenue	2,818	2,876	(2.0)	6,328	6,129	3.2
Noninterest expense	1,175	1,167	.7	3,863	3,731	3.5
Other intangibles	3	3	—	21	22	(4.5)
Total noninterest expense	1,178	1,170	.7	3,884	3,753	3.5
Income before provision and income taxes	1,640	1,706	(3.9)	2,444	2,376	2.9
Provision for credit losses	37	9	*	164	242	(32.2)
Income before income taxes	1,603	1,697	(5.5)	2,280	2,134	6.8
Income taxes and taxable-equivalent adjustment	401	618	(35.1)	571	777	(26.5)
Net income	1,202	1,079	11.4	1,709	1,357	25.9
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—
Net income attributable to U.S. Bancorp	\$ 1,202	\$ 1,079	11.4	\$ 1,709	\$ 1,357	25.9
Average Balance Sheet						
Commercial	\$ 74,781	\$ 73,179	2.2%	\$ 9,811	\$ 9,979	(1.7)%
Commercial real estate	18,782	20,739	(9.4)	16,318	16,742	(2.5)
Residential mortgages	6	7	(14.3)	57,756	55,704	3.7
Credit card	—	—	—	—	—	—
Other retail	1	—	*	53,994	52,610	2.6
Total loans, excluding covered loans	93,570	93,925	(.4)	137,879	135,035	2.1
Covered loans	—	—	—	2,900	3,531	(17.9)
Total loans	93,570	93,925	(.4)	140,779	138,566	1.6
Goodwill	1,647	1,647	—	3,632	3,632	—
Other intangible assets	11	14	(21.4)	2,926	2,733	7.1
Assets	102,417	102,520	(.1)	155,239	152,879	1.5
Noninterest-bearing deposits	33,438	36,256	(7.8)	27,443	27,387	.2
Interest checking	9,556	9,506	.5	50,052	46,938	6.6
Savings products	42,227	46,556	(9.3)	61,621	60,317	2.2
Time deposits	17,829	15,238	17.0	12,996	12,967	.2
Total deposits	103,050	107,556	(4.2)	152,112	147,609	3.1
Total U.S. Bancorp shareholders' equity	10,447	9,850	6.1	11,850	11,154	6.2

* Not meaningful

(a) Presented net of related rewards and rebate costs and certain partner payments of \$539 million and \$504 million for the three months ended September 30, 2018 and 2017, respectively, and \$1.6 billion and \$1.5 billion for the nine months ended September 30, 2018 and 2017, respectively.

(b) Includes revenue generated from certain contracts with customers of \$1.8 billion and \$1.7 billion for the three months ended September 30, 2018 and 2017, respectively, and \$5.5 billion and \$5.2 billion for the nine months ended September 30, 2018 and 2017, respectively.

Wealth Management and Investment Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2018	2017	Percent Change	2018	2017	Percent Change	2018	2017	Percent Change	2018	2017	Percent Change
\$ 281	\$ 252	11.5%	\$ 619	\$ 614	.8%	\$ 85	\$ 151	(43.7)%	\$ 3,281	\$ 3,227	1.7%
444	411	8.0	911(a)	851(a)	7.1	270	234	15.4	2,408(b)	2,331(b)	3.3
—	—	—	—	—	—	10	9	11.1	10	9	11.1
725	663	9.4	1,530	1,465	4.4	365	394	(7.4)	5,699	5,567	2.4
429	403	6.5	713	676	5.5	199	254	(21.7)	3,003	2,954	1.7
4	5	(20.0)	29	30	(3.3)	—	—	—	41	44	(6.8)
433	408	6.1	742	706	5.1	199	254	(21.7)	3,044	2,998	1.5
292	255	14.5	788	759	3.8	166	140	18.6	2,655	2,569	3.3
(3)	1	*	264	270	(2.2)	(7)	5	*	343	360	(4.7)
295	254	16.1	524	489	7.2	173	135	28.1	2,312	2,209	4.7
74	92	(19.6)	131	178	(26.4)	(45)	(115)	60.9	490	640	(23.4)
221	162	36.4	393	311	26.4	218	250	(12.8)	1,822	1,569	16.1
—	—	—	—	—	—	(7)	(6)	(16.7)	(7)	(6)	(16.7)
\$ 221	\$ 162	36.4	\$ 393	\$ 311	26.4	\$ 211	\$ 244	(13.5)	\$ 1,815	\$ 1,563	16.1
\$ 3,783	\$ 3,506	7.9%	\$ 9,272	\$ 8,233	12.6%	\$ 1,180	\$ 950	24.2%	\$ 99,048	\$ 96,633	2.5%
529	517	2.3	—	—	—	4,252	4,325	(1.7)	39,542	41,621	(5.0)
3,408	2,905	17.3	—	—	—	4	8	(50.0)	62,042	59,030	5.1
—	—	—	21,774	20,926	4.1	—	—	—	21,774	20,926	4.1
1,763	1,780	(1.0)	397	453	(12.4)	—	6	*	55,903	56,069	(.3)
9,483	8,708	8.9	31,443	29,612	6.2	5,436	5,289	2.8	278,309	274,279	1.5
—	—	—	—	—	—	—	—	—	2,756	3,347	(17.7)
9,483	8,708	8.9	31,443	29,612	6.2	5,436	5,289	2.8	281,065	277,626	1.2
1,618	1,618	—	2,563	2,468	3.8	—	—	—	9,459	9,365	1.0
61	79	(22.8)	400	384	4.2	—	—	—	3,445	3,178	8.4
12,663	11,657	8.6	37,128	35,019	6.0	149,393	146,939	1.7	456,916	450,630	1.4
13,190	14,742	(10.5)	1,064	1,029	3.4	2,394	2,403	(.4)	77,192	81,964	(5.8)
9,351	11,016	(15.1)	—	—	—	33	39	(15.4)	69,330	68,066	1.9
42,703	42,288	1.0	108	103	4.9	769	519	48.2	145,536	148,721	(2.1)
3,883	3,526	10.1	3	1	*	1,972	372	*	38,063	36,400	4.6
69,127	71,572	(3.4)	1,175	1,133	3.7	5,168	3,333	55.1	330,121	335,151	(1.5)
2,486	2,434	2.1	6,584	6,205	6.1	19,425	19,710	(1.4)	50,768	49,447	2.7

Wealth Management and Investment Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2018	2017	Percent Change	2018	2017	Percent Change	2018	2017	Percent Change	2018	2017	Percent Change
\$ 840	\$ 743	13.1%	\$ 1,822	\$ 1,792	1.7%	\$ 269	\$ 315	(14.6)%	\$ 9,704	\$ 9,357	3.7%
1,305	1,221	6.9	2,662(a)	2,499(a)	6.5	739	679	8.8	7,079(b)	6,900(b)	2.6
—	—	—	—	—	—	25	50	(50.0)	25	47	(46.8)
2,145	1,964	9.2	4,484	4,291	4.5	1,033	1,044	(1.1)	16,808	16,304	3.1
1,304	1,197	8.9	2,117	1,983	6.8	605	682	(11.3)	9,064	8,760	3.5
12	15	(20.0)	84	91	(7.7)	—	—	—	120	131	(8.4)
1,316	1,212	8.6	2,201	2,074	6.1	605	682	(11.3)	9,184	8,891	3.3
829	752	10.2	2,283	2,217	3.0	428	362	18.2	7,624	7,413	2.8
(2)	1	*	817	794	2.9	(5)	9	*	1,011	1,055	(4.2)
831	751	10.7	1,466	1,423	3.0	433	353	22.7	6,613	6,358	4.0
208	273	(23.8)	367	518	(29.2)	(196)	(395)	50.4	1,351	1,791	(24.6)
623	478	30.3	1,099	905	21.4	629	748	(15.9)	5,262	4,567	15.2
—	—	—	—	(13)	*	(22)	(18)	(22.2)	(22)	(31)	29.0
\$ 623	\$ 478	30.3	\$ 1,099	\$ 892	23.2	\$ 607	\$ 730	(16.8)	\$ 5,240	\$ 4,536	15.5
\$ 3,727	\$ 3,358	11.0%	\$ 8,866	\$ 7,942	11.6%	\$ 1,110	\$ 889	24.9%	\$ 98,295	\$ 95,347	3.1%
520	514	1.2	—	—	—	4,298	4,442	(3.2)	39,918	42,437	(5.9)
3,256	2,777	17.2	—	—	—	5	8	(37.5)	61,023	58,496	4.3
—	—	—	21,428	20,801	3.0	—	—	—	21,428	20,801	3.0
1,728	1,757	(1.7)	410	466	(12.0)	2	2	—	56,135	54,835	2.4
9,231	8,406	9.8	30,704	29,209	5.1	5,415	5,341	1.4	276,799	271,916	1.8
—	—	—	—	—	—	—	7	*	2,900	3,538	(18.0)
9,231	8,406	9.8	30,704	29,209	5.1	5,415	5,348	1.3	279,699	275,454	1.5
1,619	1,617	.1	2,546	2,459	3.5	—	—	—	9,444	9,355	1.0
66	83	(20.5)	396	409	(3.2)	—	—	—	3,399	3,239	4.9
12,313	11,620	6.0	36,614	34,781	5.3	148,658	144,249	3.1	455,241	446,049	2.1
14,106	14,860	(5.1)	1,092	1,023	6.7	2,467	2,282	8.1	78,546	81,808	(4.0)
10,220	10,534	(3.0)	—	—	—	37	43	(14.0)	69,865	67,021	4.2
42,531	42,629	(.2)	106	101	5.0	738	518	42.5	147,223	150,121	(1.9)
3,825	4,188	(8.7)	3	1	*	2,872	266	*	37,525	32,660	14.9
70,682	72,211	(2.1)	1,201	1,125	6.8	6,114	3,109	96.7	333,159	331,610	.5
2,471	2,428	1.8	6,602	6,285	5.0	18,691	19,258	(2.9)	50,061	48,975	2.2

2018, compared with the same periods of 2017, mainly due to higher credit and debit card revenue, corporate payment products revenue and merchant processing services revenue, all driven by higher sales volumes. Net interest income, on a taxable-equivalent basis, increased \$5 million (0.8 percent) in the third quarter and \$30 million (1.7 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to higher loan volumes, partially offset by compression on loan rates in a rising environment.

Noninterest expense increased \$36 million (5.1 percent) in the third quarter and \$127 million (6.1 percent) in the first nine months of 2018, compared with the same periods of 2017, principally due to higher net shared services expense and personnel expense driven by implementation costs of capital investments, higher production related incentives and increased staffing to support business development. The provision for credit losses decreased \$6 million (2.2 percent) in the third quarter of 2018, compared with the third quarter of 2017, reflecting a favorable change in the reserve allocation, mostly offset by higher net charge-offs. The provision for credit losses increased \$23 million (2.9 percent) in the first nine months of 2018, compared with the same period of 2017, primarily due to higher net charge-offs, partially offset by a favorable change in the reserve allocation.

Treasury and Corporate Support Treasury and Corporate Support includes the Company's investment portfolios, funding, capital management, interest rate risk management, income taxes not allocated to the business lines, including most investments in tax-advantaged projects, and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis. Treasury and Corporate Support recorded net income of \$211 million in the third quarter and \$607 million in the first nine months of 2018, compared with \$244 million and \$730 million in the same periods of 2017, respectively.

Net revenue decreased \$29 million (7.4 percent) in the third quarter and \$11 million (1.1 percent) in the first nine months of 2018, compared with the same periods of 2017. Net interest income, on a taxable-equivalent basis, decreased \$66 million (43.7 percent) in the third quarter and \$46 million (14.6 percent) in the first nine months of 2018, compared with the same periods of 2017, primarily due to higher funding costs, partially offset by growth in the investment portfolio. Noninterest income increased \$37 million (15.2 percent) in the third quarter and \$35 million (4.8 percent) in the first nine months of 2018, compared with the same periods of 2017, reflecting changes in tax-advantaged project syndication revenue and equity investment income. Noninterest income further increased in the first nine months of 2018, compared with the same period of 2017, due to a gain on the sale of student loans in the second quarter of 2018.

Noninterest expense decreased \$55 million (21.7 percent) in the third quarter and \$77 million (11.3 percent) in the first nine months of 2018, compared with the same periods of 2017, due to a favorable change in net shared services expense allocated to manage the business, lower costs related to tax-advantaged projects, and higher accruals for legal and regulatory matters in the prior year. Noninterest expense further decreased in the first nine months of 2018, compared to the same period of 2017, as a result of the allocation of previously reserved litigation items to the business units, at settlement. These decreases were partially offset by higher personnel expense driven by increased staffing, higher variable compensation, and technology development related to business development efforts. The provision for credit losses was \$12 million lower in the third quarter of 2018, compared with the third quarter of 2017, due to a favorable change in the reserve allocation. The provision for credit losses was \$14 million lower in the first nine months of 2018, compared with the same period of 2017, due to a favorable change in the reserve allocation, partially offset by higher net charge-offs.

Income taxes are assessed to each line of business at a managerial tax rate of 25.0 percent starting in 2018 due to tax reform, compared with 36.4 percent in 2017. The residual tax expense or benefit to arrive at the consolidated effective tax rate is included in Treasury and Corporate Support.

NON-GAAP FINANCIAL MEASURES

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

- Tangible common equity to tangible assets, and
- Tangible common equity to risk-weighted assets.

These capital measures are viewed by management as useful additional methods of evaluating the Company's utilization of its capital held and the level of capital available to withstand unexpected negative market or economic conditions. Additionally, presentation of these measures allows investors, analysts and banking regulators to assess the Company's capital position relative to other financial services companies. These capital measures are not defined in generally accepted accounting principles ("GAAP"), or are not

defined in banking regulations. As a result, these capital measures disclosed by the Company may be considered non-GAAP financial measures. In addition, certain capital measures related to prior periods are presented on the same basis as those capital measures in the current period. The effective capital ratios defined by banking regulations for these periods were subject to certain transitional provisions. Management believes this information helps investors assess trends in the Company's capital adequacy.

The Company also discloses net interest income and related ratios and analysis on a taxable-equivalent basis, which may also be considered non-GAAP financial measures. The Company believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison of net interest income arising from taxable and tax-exempt sources. In addition, certain performance measures, including the efficiency ratio and net interest margin utilize net interest income on a taxable-equivalent basis.

There may be limits in the usefulness of these measures to investors. As a result, the Company encourages readers to consider the consolidated financial statements and other financial information contained in this report in their entirety, and not to rely on any single financial measure.

The following table shows the Company's calculation of these non-GAAP financial measures:

(Dollars in Millions)	September 30, 2018	December 31, 2017
Total equity	\$ 51,007	\$ 49,666
Preferred stock	(5,984)	(5,419)
Noncontrolling interests	(632)	(626)
Goodwill (net of deferred tax liability) (1)	(8,682)	(8,613)
Intangible assets, other than mortgage servicing rights	(627)	(583)
Tangible common equity (a)	35,082	34,425
Total assets	464,607	462,040
Goodwill (net of deferred tax liability) (1)	(8,682)	(8,613)
Intangible assets, other than mortgage servicing rights	(627)	(583)
Tangible assets (b)	455,298	452,844
Risk-weighted assets, determined in accordance with the Basel III standardized approach (c)	377,713	367,771
Tangible common equity (as calculated above)		34,425
Adjustments (2)		(550)
Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches (d)		33,875
Risk-weighted assets, determined in accordance with prescribed transitional standardized approach regulatory requirements		367,771
Adjustments (3)		4,473
Risk-weighted assets estimated for the Basel III fully implemented standardized approach (e)		372,244
Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements		287,211
Adjustments (4)		4,769
Risk-weighted assets estimated for the Basel III fully implemented advanced approaches (f)		291,980
Ratios		
Tangible common equity to tangible assets (a)/(b)	7.7%	7.6%
Tangible common equity to risk-weighted assets (a)/(c)	9.3	9.4
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (d)/(e)		9.1
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (d)/(f)		11.6

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net interest income	\$ 3,251	\$ 3,176	\$ 9,616	\$ 9,205
Taxable-equivalent adjustment (5)	30	51	88	152
Net interest income, on a taxable-equivalent basis	3,281	3,227	9,704	9,357
Net interest income, on a taxable-equivalent basis (as calculated above)	3,281	3,227	9,704	9,357
Noninterest income	2,418	2,340	7,104	6,947
Less: Securities gains (losses), net	10	9	25	47
Total net revenue, excluding net securities gains (losses) (g)	5,689	5,558	16,783	16,257
Noninterest expense (h)	3,044	2,998	9,184	8,891
Efficiency ratio (h)/(g)	53.5%	53.9%	54.7%	54.7%

(1) Includes goodwill related to certain investments in unconsolidated financial institutions per prescribed regulatory requirements.

(2) Includes net losses on cash flow hedges included in accumulated other comprehensive income (loss) and other adjustments.

(3) Includes higher risk-weighting for unfunded loan commitments, investment securities, residential mortgages, MSRs and other adjustments.

(4) Primarily reflects higher risk-weighting for MSRs.

(5) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent for 2018 and 35 percent for 2017.

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 GAAP requires management to make estimates and assumptions. The Company's 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 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, fair value estimates, purchased loans and related indemnification assets, 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, 2017.

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 control 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)	September 30, 2018 (Unaudited)	December 31, 2017
Assets		
Cash and due from banks	\$ 20,082	\$ 19,505
Investment securities		
Held-to-maturity (fair value \$44,332 and \$43,723, respectively)	46,046	44,362
Available-for-sale (\$2,668 and \$689 pledged as collateral, respectively) (a)	64,912	68,137
Loans held for sale (including \$3,228 and \$3,534 of mortgage loans carried at fair value, respectively)	4,533	3,554
Loans		
Commercial	99,273	97,561
Commercial real estate	39,966	40,463
Residential mortgages	62,904	59,783
Credit card	21,869	22,180
Other retail	56,049	57,324
Total loans, excluding covered loans	280,061	277,311
Covered loans	1,400	3,121
Total loans	281,461	280,432
Less allowance for loan losses	(3,954)	(3,925)
Net loans	277,507	276,507
Premises and equipment	2,438	2,432
Goodwill	9,530	9,434
Other intangible assets	3,544	3,228
Other assets (including \$690 and \$238 of trading securities at fair value pledged as collateral, respectively) (a)	36,015	34,881
Total assets	\$ 464,607	\$ 462,040
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$ 77,146	\$ 87,557
Interest-bearing (b)	254,032	259,658
Total deposits	331,178	347,215
Short-term borrowings	23,868	16,651
Long-term debt	40,894	32,259
Other liabilities	17,660	16,249
Total liabilities	413,600	412,374
Shareholders' equity		
Preferred stock	5,984	5,419
Common stock, par value \$0.01 a share — authorized: 4,000,000,000 shares; issued: 9/30/18 and 12/31/17 — 2,125,725,742 shares	21	21
Capital surplus	8,479	8,464
Retained earnings	57,878	54,142
Less cost of common stock in treasury: 9/30/18 — 502,672,407 shares; 12/31/17 — 470,080,231 shares	(19,414)	(17,602)
Accumulated other comprehensive income (loss)	(2,573)	(1,404)
Total U.S. Bancorp shareholders' equity	50,375	49,040
Noncontrolling interests	632	626
Total equity	51,007	49,666
Total liabilities and equity	\$ 464,607	\$ 462,040

(a) Includes only collateral pledged by the Company where counterparties have the right to sell or pledge the collateral.

(b) Includes time deposits greater than \$250,000 balances of \$10.0 billion and \$6.8 billion at September 30, 2018 and December 31, 2017, respectively.

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 September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Interest Income				
Loans	\$ 3,353	\$ 3,049	\$ 9,645	\$ 8,728
Loans held for sale	36	40	108	104
Investment securities	661	568	1,927	1,653
Other interest income	73	47	182	131
Total interest income	4,123	3,704	11,862	10,616
Interest Expense				
Deposits	491	293	1,263	730
Short-term borrowings	104	39	265	96
Long-term debt	277	196	718	585
Total interest expense	872	528	2,246	1,411
Net interest income	3,251	3,176	9,616	9,205
Provision for credit losses	343	360	1,011	1,055
Net interest income after provision for credit losses	2,908	2,816	8,605	8,150
Noninterest Income				
Credit and debit card revenue	344	318	1,019	947
Corporate payment products revenue	169	150	481	427
Merchant processing services	392	377	1,142	1,112
ATM processing services	85	77	254	223
Trust and investment management fees	411	380	1,210	1,128
Deposit service charges	198	187	563	538
Treasury management fees	146	153	451	466
Commercial products revenue	216	240	670	730
Mortgage banking revenue	174	213	549	632
Investment products fees	47	42	140	128
Realized securities gains (losses), net	10	9	25	47
Other	226	194	600	569
Total noninterest income	2,418	2,340	7,104	6,947
Noninterest Expense				
Compensation	1,529	1,440	4,594	4,247
Employee benefits	294	268	923	843
Net occupancy and equipment	270	258	797	760
Professional services	96	104	274	305
Marketing and business development	106	92	314	291
Technology and communications	247	227	724	667
Postage, printing and supplies	84	82	244	244
Other intangibles	41	44	120	131
Other	377	483	1,194	1,403
Total noninterest expense	3,044	2,998	9,184	8,891
Income before income taxes	2,282	2,158	6,525	6,206
Applicable income taxes	460	589	1,263	1,639
Net income	1,822	1,569	5,262	4,567
Net (income) loss attributable to noncontrolling interests	(7)	(6)	(22)	(31)
Net income attributable to U.S. Bancorp	\$ 1,815	\$ 1,563	\$ 5,240	\$ 4,536
Net income applicable to U.S. Bancorp common shareholders	\$ 1,732	\$ 1,485	\$ 5,007	\$ 4,302
Earnings per common share	\$ 1.06	\$.89	\$ 3.05	\$ 2.56
Diluted earnings per common share	\$ 1.06	\$.88	\$ 3.04	\$ 2.55
Dividends declared per common share	\$.37	\$.30	\$.97	\$.86
Average common shares outstanding	1,629	1,672	1,641	1,683
Average diluted common shares outstanding	1,633	1,678	1,645	1,689

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Comprehensive Income

(Dollars in Millions) (Unaudited)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net income	\$ 1,822	\$ 1,569	\$ 5,262	\$ 4,567
Other Comprehensive Income (Loss)				
Changes in unrealized gains and losses on investment securities available-for-sale	(411)	24	(1,399)	479
Changes in unrealized gains and losses on derivative hedges	40	(3)	159	(33)
Foreign currency translation	7	2	12	11
Changes in unrealized gains and losses on retirement plans	—	—	(1)	—
Reclassification to earnings of realized gains and losses	20	21	70	58
Income taxes related to other comprehensive income (loss)	86	(17)	290	(199)
Total other comprehensive income (loss)	(258)	27	(869)	316
Comprehensive income	1,564	1,596	4,393	4,883
Comprehensive (income) loss attributable to noncontrolling interests	(7)	(6)	(22)	(31)
Comprehensive income attributable to U.S. Bancorp	\$ 1,557	\$ 1,590	\$ 4,371	\$ 4,852

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Shareholders' Equity

(Dollars and Shares in Millions) (Unaudited)	U.S. Bancorp Shareholders							Total U.S. Bancorp Shareholders' Equity	Noncontrolling Interests	Total Equity
	Common Shares Outstanding	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			
Balance December 31, 2016	1,697	\$ 5,501	\$ 21	\$ 8,440	\$ 50,151	\$(15,280)	\$ (1,535)	\$ 47,298	\$ 635	\$ 47,933
Net income (loss)					4,536			4,536	31	4,567
Other comprehensive income (loss)							316	316		316
Preferred stock dividends					(204)			(204)		(204)
Common stock dividends					(1,450)			(1,450)		(1,450)
Issuance of preferred stock		993						993		993
Redemption of preferred stock		(1,075)			(10)			(1,085)		(1,085)
Issuance of common and treasury stock	7			(115)		257		142		142
Purchase of treasury stock	(37)					(1,955)		(1,955)		(1,955)
Distributions to noncontrolling interests									(41)	(41)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				132				132		132
Balance September 30, 2017	1,667	\$ 5,419	\$ 21	\$ 8,457	\$ 53,023	\$(16,978)	\$ (1,219)	\$ 48,723	\$ 628	\$ 49,351
Balance December 31, 2017	1,656	\$ 5,419	\$ 21	\$ 8,464	\$ 54,142	\$(17,602)	\$ (1,404)	\$ 49,040	\$ 626	\$ 49,666
Change in accounting principles (a)					299		(300)	(1)		(1)
Net income (loss)					5,240			5,240	22	5,262
Other comprehensive income (loss)							(869)	(869)		(869)
Preferred stock dividends					(210)			(210)		(210)
Common stock dividends					(1,593)			(1,593)		(1,593)
Issuance of preferred stock		565						565		565
Issuance of common and treasury stock	5			(130)		207		77		77
Purchase of treasury stock	(38)					(2,019)		(2,019)		(2,019)
Distributions to noncontrolling interests									(22)	(22)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				145				145		145
Balance September 30, 2018	1,623	\$ 5,984	\$ 21	\$ 8,479	\$ 57,878	\$(19,414)	\$ (2,573)	\$ 50,375	\$ 632	\$ 51,007

a) Includes the impact of the reduced federal statutory tax rate for corporations included in 2017 tax reform legislation, reclassified out of accumulated other comprehensive income and into retained earnings as of the beginning of the period.

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Cash Flows

(Dollars in Millions) (Unaudited)	Nine Months Ended September 30	
	2018	2017
Operating Activities		
Net income attributable to U.S. Bancorp	\$ 5,240	\$ 4,536
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	1,011	1,055
Depreciation and amortization of premises and equipment	226	219
Amortization of intangibles	120	131
(Gain) loss on sale of loans held for sale	(330)	(544)
(Gain) loss on sale of securities and other assets	(309)	(387)
Loans originated for sale in the secondary market, net of repayments	(23,418)	(26,080)
Proceeds from sales of loans held for sale	23,747	27,481
Other, net	1,627	230
Net cash provided by operating activities	7,914	6,641
Investing Activities		
Proceeds from sales of available-for-sale investment securities	1,304	3,063
Proceeds from maturities of held-to-maturity investment securities	5,072	6,348
Proceeds from maturities of available-for-sale investment securities	8,757	9,459
Purchases of held-to-maturity investment securities	(8,229)	(7,403)
Purchases of available-for-sale investment securities	(6,848)	(13,575)
Net increase in loans outstanding	(3,241)	(5,698)
Proceeds from sales of loans	2,608	1,348
Purchases of loans	(2,748)	(2,245)
Other, net	(895)	(617)
Net cash used in investing activities	(4,220)	(9,320)
Financing Activities		
Net (decrease) increase in deposits	(16,037)	7,999
Net increase in short-term borrowings	7,217	1,893
Proceeds from issuance of long-term debt	10,082	7,726
Principal payments or redemption of long-term debt	(1,326)	(6,561)
Proceeds from issuance of preferred stock	565	993
Proceeds from issuance of common stock	73	138
Repurchase of preferred stock	—	(1,085)
Repurchase of common stock	(2,004)	(1,950)
Cash dividends paid on preferred stock	(198)	(213)
Cash dividends paid on common stock	(1,489)	(1,426)
Net cash (used in) provided by financing activities	(3,117)	7,514
Change in cash and due from banks	577	4,835
Cash and due from banks at beginning of period	19,505	15,705
Cash and due from banks at end of period	\$ 20,082	\$ 20,540

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. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017. 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, expenses and other financial elements to each line of business. Table 11 “Line of Business Financial Performance” included in Management’s Discussion and Analysis provides details of segment results. This information is incorporated by reference into these Notes to Consolidated Financial Statements.

Note 2 Accounting Changes

Revenue Recognition Effective January 1, 2018, the Company adopted accounting guidance, issued by the Financial Accounting Standards Board (“FASB”) in May 2014, clarifying the principles for recognizing revenue from certain contracts with customers. The guidance does not apply to revenue associated with financial instruments, such as loans and securities. The adoption of this guidance was not material to the Company’s financial statements.

Financial Instruments—Hedge Accounting Effective January 1, 2018, the Company adopted accounting guidance, issued by the FASB in August 2017, related to hedge accounting. This guidance makes targeted changes to the hedge accounting model to simplify the application of hedge accounting and more closely align financial reporting to an entity’s risk management activities. This guidance expands risk management strategies that qualify for hedge accounting, simplifies certain effectiveness assessment requirements, eliminates separate reporting of ineffectiveness and changes certain presentation and disclosure requirements for hedge accounting activities. Upon adoption, the Company elected to apply the guidance to existing fair value hedges. The Company also elected upon adoption to transfer \$1.5 billion of its fixed rate residential agency mortgage-backed securities from the held-to-maturity to available-for-sale category. The adoption of this guidance was not material to the Company’s financial statements.

Income Taxes Effective January 1, 2018, the Company adopted accounting guidance, issued by the FASB in February 2018, which allows entities to reclassify from accumulated other comprehensive income to retained earnings, the impact of the reduced federal statutory tax rate for corporations included in the Tax Cuts and Jobs Act (“tax reform”) enacted by Congress in late 2017. Upon adoption, the Company increased retained earnings and reduced accumulated other comprehensive income by \$300 million. After adoption, the income tax effect on items included in accumulated other comprehensive income is consistent with the related deferred tax balances, and the income tax effect will be released from accumulated other comprehensive income and the related deferred tax balances when the applicable tax differences reverse.

Accounting for Leases In February 2016, the FASB issued accounting guidance, effective for the Company on January 1, 2019, related to the accounting for leases. This guidance requires lessees to recognize all leases on the Consolidated Balance Sheet as lease assets and lease liabilities based primarily on the present value of future lease payments. Lessor accounting is largely unchanged. In July 2018, the FASB issued additional guidance allowing for a modified retrospective adoption approach where the guidance would only be applied to existing leases in effect at the adoption date and new leases going forward, with a cumulative effect adjustment to retained earnings as of the adoption date and additional required disclosures regarding leasing arrangements only for those periods after adoption. The Company currently expects to recognize approximately \$1.5 billion of lease assets and related liabilities on its Consolidated Balance Sheet at the adoption date. The Company expects the adoption of this guidance will not be material to its Consolidated Statement of Income.

Financial Instruments—Credit Losses In June 2016, the FASB issued accounting guidance, effective for the Company no later than January 1, 2020, related to the impairment of financial instruments. This guidance changes existing impairment recognition to a model that is based on expected losses rather than incurred losses, which is intended to result in more timely recognition of credit losses. This guidance is also intended to reduce the complexity of current accounting guidance by decreasing the number of credit impairment models that entities use to account for debt instruments. A modified retrospective approach is required at adoption with a cumulative effect adjustment to retained earnings as of the adoption date. The guidance also requires additional credit quality disclosures for loans. The Company is currently evaluating the impact of this guidance on its financial statements, and expects its allowance for credit losses to increase upon adoption. The extent of this increase will continue to be evaluated and will depend on economic conditions and the composition of the Company's loan portfolio at the time of adoption.

Note 3 Investment Securities

The Company's held-to-maturity investment securities are carried at historical cost, adjusted for amortization of premiums and accretion of discounts and credit-related other-than-temporary impairment. The Company's available-for-sale investment securities are carried at fair value with unrealized net gains or losses reported within accumulated other comprehensive income (loss) in shareholders' equity.

The amortized cost, other-than-temporary impairment recorded in other comprehensive income (loss), gross unrealized holding gains and losses, and fair value of held-to-maturity and available-for-sale investment securities were as follows:

	September 30, 2018					December 31, 2017				
	Amortized Cost	Unrealized Gains	Unrealized Losses		Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses		Fair Value
(Dollars in Millions)			Other-than-Temporary (a)	Other (b)				Other-than-Temporary (a)	Other (b)	
Held-to-maturity										
U.S. Treasury and agencies	\$ 5,112	\$ —	\$ —	\$ (236)	\$ 4,876	\$ 5,181	\$ 5	\$ —	\$ (120)	\$ 5,066
Residential agency mortgage-backed securities	40,902	30	—	(1,512)	39,420	39,150	48	—	(579)	38,619
Asset-backed securities										
Collateralized debt obligations/Collateralized loan obligations	—	1	—	—	1	—	4	—	—	4
Other	5	2	—	—	7	6	2	—	—	8
Obligations of state and political subdivisions	6	1	—	—	7	6	1	—	—	7
Obligations of foreign governments	9	—	—	—	9	7	—	—	—	7
Other	12	—	—	—	12	12	—	—	—	12
Total held-to-maturity	\$ 46,046	\$ 34	\$ —	\$ (1,748)	\$ 44,332	\$ 44,362	\$ 60	\$ —	\$ (699)	\$ 43,723
Available-for-sale										
U.S. Treasury and agencies	\$ 20,176	\$ 1	\$ —	\$ (596)	\$ 19,581	\$ 23,586	\$ 3	\$ —	\$ (288)	\$ 23,301
Mortgage-backed securities										
Residential agency	39,486	103	—	(1,279)	38,310	38,450	152	—	(571)	38,031
Commercial agency	5	—	—	—	5	6	—	—	—	6
Other asset-backed securities	402	6	—	—	408	413	6	—	—	419
Obligations of state and political subdivisions	6,847	21	—	(260)	6,608	6,240	147	—	(29)	6,358
Other	—	—	—	—	—	22	—	—	—	22
Total available-for-sale	\$ 66,916	\$ 131	\$ —	\$ (2,135)	\$ 64,912	\$ 68,717	\$ 308	\$ —	\$ (888)	\$ 68,137

(a) Represents impairment not related to credit for those investment securities that have been determined to be other-than-temporarily impaired.

(b) Represents unrealized losses on investment securities that have not been determined to be other-than-temporarily impaired.

The weighted-average maturity of the available-for-sale investment securities was 5.6 years at September 30, 2018, compared with 5.1 years at December 31, 2017. The corresponding weighted-average yields were 2.43 percent and 2.25 percent, respectively. The weighted-average maturity of the held-to-maturity investment securities was 5.4 years at September 30, 2018 and 4.7 years at December 31, 2017. The corresponding weighted-average yields were 2.36 percent and 2.14 percent, respectively.

For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale investment securities outstanding at September 30, 2018, refer to Table 4 included in Management's Discussion and Analysis, which is incorporated by reference into these Notes to Consolidated Financial Statements.

Investment securities with a fair value of \$10.3 billion at September 30, 2018, and \$12.8 billion at December 31, 2017, were pledged to secure public, private and trust deposits, repurchase agreements and for other purposes required by contractual obligation or law. Included in these amounts were securities where the Company and certain

counterparties have agreements granting the counterparties the right to sell or pledge the securities. Investment securities securing these types of arrangements had a fair value of \$2.7 billion at September 30, 2018, and \$689 million at December 31, 2017.

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

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Taxable	\$ 605	\$ 523	\$ 1,763	\$ 1,513
Non-taxable	56	45	164	140
Total interest income from investment securities	\$ 661	\$ 568	\$ 1,927	\$ 1,653

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

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Realized gains	\$ 10	\$ 9	\$ 25	\$ 65
Realized losses	—	—	—	(18)
Net realized gains (losses)	\$ 10	\$ 9	\$ 25	\$ 47
Income tax (benefit) on net realized gains (losses)	\$ 2	\$ 3	\$ 6	\$ 18

The Company conducts a regular assessment of its investment securities with unrealized losses to determine whether investment securities are other-than-temporarily impaired considering, among other factors, the nature of the investment securities, the credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows of underlying collateral, the existence of any government or agency guarantees, market conditions and whether the Company intends to sell or it is more likely than not the Company will be required to sell the investment securities. The Company determines other-than-temporary impairment recorded in earnings for investment securities not intended to be sold by estimating the future cash flows of each individual investment security, using market information where available, and discounting the cash flows at the original effective rate of the investment security. Other-than-temporary impairment recorded in other comprehensive income (loss) is measured as the difference between that discounted amount and the fair value of each investment security. The total amount of other-than-temporary impairment recorded was immaterial for the three and nine months ended September 30, 2018 and 2017.

At September 30, 2018, certain investment securities had a fair value below amortized cost. The following table shows the gross unrealized losses and fair value of the Company's investment securities with unrealized losses, aggregated by investment category and length of time the individual investment securities have been in continuous unrealized loss positions, at September 30, 2018:

(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						
U.S. Treasury and agencies	\$ 1,867	\$ (43)	\$ 2,993	\$ (193)	\$ 4,860	\$ (236)
Residential agency mortgage-backed securities	18,097	(522)	18,191	(990)	36,288	(1,512)
Other asset-backed securities	—	—	2	—	2	—
Obligations of foreign governments	1	—	—	—	1	—
Other	—	—	12	—	12	—
Total held-to-maturity	\$19,965	\$ (565)	\$21,198	\$ (1,183)	\$41,163	\$ (1,748)
Available-for-sale						
U.S. Treasury and agencies	\$ 8,685	\$ (225)	\$10,848	\$ (371)	\$19,533	\$ (596)
Residential agency mortgage-backed securities	10,786	(246)	20,350	(1,033)	31,136	(1,279)
Commercial agency mortgage-backed securities	5	—	—	—	5	—
Obligations of state and political subdivisions	3,950	(125)	1,197	(135)	5,147	(260)
Total available-for-sale	\$23,426	\$ (596)	\$32,395	\$ (1,539)	\$55,821	\$ (2,135)

The Company does not consider these unrealized losses to be credit-related. These unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. A substantial portion of investment securities that have unrealized losses are either U.S. Treasury and agencies, agency mortgage-backed or state and political securities. In general, the issuers of the investment securities are contractually prohibited from prepayment at less than par, and the Company did not pay significant purchase premiums for these investment securities. At September 30, 2018, the Company had no plans to sell investment securities with unrealized losses, and believes it is more likely than not it would not be required to sell such investment securities before recovery of their amortized cost.

Note 4 Loans and Allowance for Credit Losses

The composition of the loan portfolio, disaggregated by class and underlying specific portfolio type, was as follows:

(Dollars in Millions)	September 30, 2018		December 31, 2017	
	Amount	Percent of Total	Amount	Percent of Total
Commercial				
Commercial	\$ 93,692	33.3%	\$ 91,958	32.8%
Lease financing	5,581	2.0	5,603	2.0
Total commercial	99,273	35.3	97,561	34.8
Commercial Real Estate				
Commercial mortgages	28,633	10.2	29,367	10.5
Construction and development	11,333	4.0	11,096	4.0
Total commercial real estate	39,966	14.2	40,463	14.5
Residential Mortgages				
Residential mortgages	50,614	18.0	46,685	16.6
Home equity loans, first liens	12,290	4.3	13,098	4.7
Total residential mortgages	62,904	22.3	59,783	21.3
Credit Card	21,869	7.8	22,180	7.9
Other Retail				
Retail leasing	8,447	3.0	7,988	2.8
Home equity and second mortgages	15,966	5.7	16,327	5.8
Revolving credit	3,129	1.1	3,183	1.1
Installment	9,666	3.4	8,989	3.2
Automobile	18,547	6.6	18,934	6.8
Student (a)	294	.1	1,903	.7
Total other retail	56,049	19.9	57,324	20.4
Total loans, excluding covered loans	280,061	99.5	277,311	98.9
Covered Loans (b)	1,400	.5	3,121	1.1
Total loans	\$281,461	100.0%	\$280,432	100.0%

(a) During the first nine months of 2018, the Company sold all of its federally guaranteed student loans.

(b) Effective September 30, 2018, the Company transferred \$1.3 billion of its covered residential mortgage loans to loans held for sale.

The Company had loans of \$89.0 billion at September 30, 2018, and \$83.3 billion at December 31, 2017, pledged at the Federal Home Loan Bank, and loans of \$69.2 billion at September 30, 2018, and \$68.0 billion at December 31, 2017, pledged at the Federal Reserve Bank.

Originated loans are reported at the principal amount outstanding, net of unearned interest and deferred fees and costs, and any partial charge-offs recorded. Net unearned interest and deferred fees and costs amounted to \$841 million at September 30, 2018 and \$830 million at December 31, 2017. All purchased loans and related indemnification assets are recorded at fair value at the date of purchase. The Company evaluates purchased loans for impairment at the date of purchase in accordance with applicable authoritative accounting guidance. Purchased loans with evidence of credit deterioration since origination for which it is probable that all contractually required payments will not be collected are considered "purchased impaired loans." All other purchased loans are considered "purchased nonimpaired loans."

Changes in the accretable balance for purchased impaired loans were as follows:

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	\$ 157	\$ 546	\$ 350	\$ 698
Accretion	(96)	(107)	(277)	(286)
Disposals	(9)	(17)	(36)	(68)
Reclassifications from nonaccretable difference (a)	4	47	19	130
Other	—	(3)	—	(8)
Balance at end of period	\$ 56	\$ 466	\$ 56	\$ 466

(a) Primarily relates to changes in expected credit performance.

Allowance for Credit Losses The allowance for credit losses is established for probable and estimable losses incurred in the Company's loan and lease portfolio, including unfunded credit commitments, and includes certain amounts that do not represent loss exposure to the Company because those losses are recoverable under loss sharing agreements with the Federal Deposit Insurance Corporation ("FDIC"). The allowance for credit losses is increased through provisions charged to earnings and reduced by net charge-offs. Management evaluates the adequacy of the allowance for incurred losses on a quarterly basis.

The allowance recorded for loans in the commercial lending segment is based on reviews of individual credit relationships and considers the migration analysis of commercial lending segment loans and actual loss experience. For each loan type, this historical loss experience is adjusted as necessary to consider any relevant changes in portfolio composition, lending policies, underwriting standards, risk management practices or economic conditions. The results of the analysis are evaluated quarterly to confirm the selected loss experience is appropriate for each commercial loan type. The allowance recorded for impaired loans greater than \$5 million in the commercial lending segment is based on an individual loan analysis utilizing expected cash flows discounted using the original effective interest rate, the observable market price of the loan, or the fair value of the collateral, less selling costs, for collateral-dependent loans, rather than the migration analysis. The allowance recorded for all other commercial lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, delinquency status, bankruptcy experience, portfolio growth and historical losses, adjusted for current trends. The Company also considers the impacts of any loan modifications made to commercial lending segment loans and any subsequent payment defaults to its expectations of cash flows, principal balance, and current expectations about the borrower's ability to pay in determining the allowance for credit losses.

The allowance recorded for Troubled Debt Restructuring ("TDR") loans and purchased impaired loans in the consumer lending segment is determined on a homogenous pool basis utilizing expected cash flows discounted using the original effective interest rate of the pool, or the prior quarter effective rate, respectively. The allowance for collateral-dependent loans in the consumer lending segment is determined based on the fair value of the collateral less costs to sell. The allowance recorded for all other consumer lending segment loans is determined on a homogenous pool basis and includes consideration of product mix, risk characteristics of the portfolio, bankruptcy experience, delinquency status, refreshed loan-to-value ratios when possible, portfolio growth and historical losses, adjusted for current trends. The Company also considers any modifications made to consumer lending segment loans including the impacts of any subsequent payment defaults since modification in determining the allowance for credit losses, such as the borrower's ability to pay under the restructured terms, and the timing and amount of payments.

The allowance for the covered loan segment is evaluated each quarter in a manner similar to that described for non-covered loans and reflects decreases in expected cash flows of those loans after the acquisition date. The provision for credit losses for covered loans considers the indemnification provided by the FDIC.

In addition, subsequent payment defaults on loan modifications considered TDRs are considered in the underlying factors used in the determination of the appropriateness of the allowance for credit losses. For each loan segment, the Company estimates future loan charge-offs through a variety of analysis, trends and underlying assumptions. With respect to the commercial lending segment, TDRs may be collectively evaluated for impairment where observed performance history, including defaults, is a primary driver of the loss allocation. For commercial TDRs individually evaluated for impairment, attributes of the borrower are the primary factors in determining the allowance for credit losses. However, historical loss experience is also incorporated into the allowance methodology applied to this category of loans. With respect to the consumer lending segment, performance of the portfolio, including defaults on TDRs, is considered when estimating future cash flows.

The Company's methodology for determining the appropriate allowance for credit losses for each loan segment also considers the imprecision inherent in the methodologies used. As a result, in addition to the amounts determined under the methodologies described above, management also considers the potential impact of other qualitative factors which include, but are not limited to, economic factors; geographic and other concentration risks; delinquency and nonaccrual trends; current business conditions; changes in lending policy, underwriting standards and other relevant business practices; results of internal review; and the regulatory environment. The consideration of these items results in adjustments to allowance amounts included in the Company's allowance for credit losses for each of the above loan segments.

The Company also assesses the credit risk associated with off-balance sheet loan commitments, letters of credit, and derivatives. Credit risk associated with derivatives is reflected in the fair values recorded for those positions. The liability for off-balance sheet credit exposure related to loan commitments and other credit guarantees is included in other liabilities. 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.

Activity in the allowance for credit losses by portfolio class was as follows:

Three Months Ended September 30 (Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans
2018								
Balance at beginning of period	\$ 1,391	\$ 812	\$ 436	\$ 1,082	\$ 667	\$ 4,388	\$ 23	\$ 4,411
Add								
Provision for credit losses	88	(12)	8	221	41	346	(3)	343
Deduct								
Loans charged-off	88	1	12	231	96	428	—	428
Less recoveries of loans charged-off	(22)	(10)	(8)	(25)	(35)	(100)	—	(100)
Net loans charged-off	66	(9)	4	206	61	328	—	328
Balance at end of period	\$ 1,413	\$ 809	\$ 440	\$ 1,097	\$ 647	\$ 4,406	\$ 20	\$ 4,426
2017								
Balance at beginning of period	\$ 1,395	\$ 856	\$ 455	\$ 990	\$ 648	\$ 4,344	\$ 33	\$ 4,377
Add								
Provision for credit losses	71	(12)	2	216	84	361	(1)	360
Deduct								
Loans charged-off	115	2	16	214	86	433	—	433
Less recoveries of loans charged-off	(32)	(9)	(9)	(27)	(26)	(103)	—	(103)
Net loans charged-off	83	(7)	7	187	60	330	—	330
Balance at end of period	\$ 1,383	\$ 851	\$ 450	\$ 1,019	\$ 672	\$ 4,375	\$ 32	\$ 4,407

[Table of Contents](#)

Nine Months Ended September 30 (Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans
2018								
Balance at beginning of period	\$ 1,372	\$ 831	\$ 449	\$ 1,056	\$ 678	\$ 4,386	\$ 31	\$ 4,417
Add								
Provision for credit losses	225	(34)	6	668	156	1,021	(10)	1,011
Deduct								
Loans charged-off	265	6	37	727	283	1,318	—	1,318
Less recoveries of loans charged-off	(81)	(18)	(22)	(100)	(96)	(317)	—	(317)
Net loans charged-off	184	(12)	15	627	187	1,001	—	1,001
Other changes (a)	—	—	—	—	—	—	(1)	(1)
Balance at end of period	\$ 1,413	\$ 809	\$ 440	\$ 1,097	\$ 647	\$ 4,406	\$ 20	\$ 4,426
2017								
Balance at beginning of period	\$ 1,450	\$ 812	\$ 510	\$ 934	\$ 617	\$ 4,323	\$ 34	\$ 4,357
Add								
Provision for credit losses	169	21	(33)	666	234	1,057	(2)	1,055
Deduct								
Loans charged-off	315	7	49	653	263	1,287	—	1,287
Less recoveries of loans charged-off	(79)	(25)	(22)	(72)	(84)	(282)	—	(282)
Net loans charged-off	236	(18)	27	581	179	1,005	—	1,005
Balance at end of period	\$ 1,383	\$ 851	\$ 450	\$ 1,019	\$ 672	\$ 4,375	\$ 32	\$ 4,407

(a) Includes net changes in credit losses to be reimbursed by the FDIC and reductions in the allowance for covered loans where the reversal of a previously recorded allowance was offset by an associated decrease in the indemnification asset, and the impact of any loan sales.

Additional detail of the allowance for credit losses by portfolio class was as follows:

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans
Allowance Balance at September 30, 2018 Related to								
Loans individually evaluated for impairment (a)	\$ 30	\$ 8	\$ —	\$ —	\$ —	\$ 38	\$ —	\$ 38
TDRs collectively evaluated for impairment	13	4	124	64	15	220	1	221
Other loans collectively evaluated for impairment	1,370	795	316	1,033	632	4,146	—	4,146
Loans acquired with deteriorated credit quality	—	2	—	—	—	2	19	21
Total allowance for credit losses	\$ 1,413	\$ 809	\$ 440	\$ 1,097	\$ 647	\$ 4,406	\$ 20	\$ 4,426
Allowance Balance at December 31, 2017 Related to								
Loans individually evaluated for impairment (a)	\$ 23	\$ 4	\$ —	\$ —	\$ —	\$ 27	\$ —	\$ 27
TDRs collectively evaluated for impairment	14	4	139	60	19	236	1	237
Other loans collectively evaluated for impairment	1,335	818	310	996	659	4,118	—	4,118
Loans acquired with deteriorated credit quality	—	5	—	—	—	5	30	35
Total allowance for credit losses	\$ 1,372	\$ 831	\$ 449	\$ 1,056	\$ 678	\$ 4,386	\$ 31	\$ 4,417

(a) Represents the allowance for credit losses related to loans greater than \$5 million classified as nonperforming or TDRs.

Additional detail of loan balances by portfolio class was as follows:

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans (b)	Total Loans
September 30, 2018								
Loans individually evaluated for impairment (a)	\$ 242	\$ 144	\$ —	\$ —	\$ —	\$ 386	\$ —	\$ 386
TDRs collectively evaluated for impairment	157	149	3,322	239	183	4,050	10	4,060
Other loans collectively evaluated for impairment	98,874	39,633	59,581	21,630	55,866	275,584	721	276,305
Loans acquired with deteriorated credit quality	—	40	1	—	—	41	669	710
Total loans	\$ 99,273	\$ 39,966	\$ 62,904	\$ 21,869	\$ 56,049	\$ 280,061	\$ 1,400	\$ 281,461
December 31, 2017								
Loans individually evaluated for impairment (a)	\$ 337	\$ 71	\$ —	\$ —	\$ —	\$ 408	\$ —	\$ 408
TDRs collectively evaluated for impairment	148	145	3,524	230	186	4,233	36	4,269
Other loans collectively evaluated for impairment	97,076	40,174	56,258	21,950	57,138	272,596	1,073	273,669
Loans acquired with deteriorated credit quality	—	73	1	—	—	74	2,012	2,086
Total loans	\$ 97,561	\$ 40,463	\$ 59,783	\$ 22,180	\$ 57,324	\$ 277,311	\$ 3,121	\$ 280,432

(a) Represents loans greater than \$5 million classified as nonperforming or TDRs.

(b) Includes expected reimbursements from the FDIC under loss sharing agreements.

Credit Quality The credit quality of the Company's loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Company.

For all loan classes, loans are considered past due based on the number of days delinquent except for monthly amortizing loans which are classified delinquent based upon the number of contractually required payments not made (for example, two missed payments is considered 30 days delinquent). When a loan is placed on nonaccrual status, unpaid accrued interest is reversed, reducing interest income in the current period.

Commercial lending segment loans are generally placed on nonaccrual status when the collection of principal and interest has become 90 days past due or is otherwise considered doubtful. Commercial lending segment loans are generally fully or partially charged down to the fair value of the collateral securing the loan, less costs to sell, when the loan is placed on nonaccrual.

Consumer lending segment loans are generally charged-off at a specific number of days or payments past due. Residential mortgages and other retail loans secured by 1-4 family properties are generally charged down to the fair value of the collateral securing the loan, less costs to sell, at 180 days past due. Residential mortgage loans and lines in a first lien position are placed on nonaccrual status in instances where a partial charge-off occurs unless the loan is well secured and in the process of collection. Residential mortgage loans and lines in a junior lien position secured by 1-4 family properties are placed on nonaccrual status at 120 days past due or when they are behind a first lien that has become 180 days or greater past due or placed on nonaccrual status. Any secured consumer lending segment loan whose borrower has had debt discharged through bankruptcy, for which the loan amount exceeds the fair value of the collateral, is charged down to the fair value of the related collateral and the remaining balance is placed on nonaccrual status. Credit card loans continue to accrue interest until the account is charged-off. Credit cards are charged-off at 180 days past due. Other retail loans not secured by 1-4 family properties are charged-off at 120 days past due; and revolving consumer lines are charged-off at 180 days past due. Similar to credit cards, other retail loans are generally not placed on nonaccrual status because of the relative short period of time to charge-off. Certain retail customers having financial difficulties may have the terms of their credit card and other loan agreements modified to require only principal payments and, as such, are reported as nonaccrual.

For all loan classes, interest payments received on nonaccrual loans are generally recorded as a reduction to a loan's carrying amount while a loan is on nonaccrual and are recognized as interest income upon payoff of the loan. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible. In certain circumstances, loans in any class may be restored to accrual status, such as when a loan has demonstrated sustained repayment performance or no amounts are past due and prospects for future payment are no longer in doubt; or when the loan becomes well secured and is in the process of collection. Loans where there has been a partial charge-off may be returned to accrual status if all principal and interest (including amounts previously charged-off) is expected to be collected and the loan is current.

Covered loans not considered to be purchased impaired are evaluated for delinquency, nonaccrual status and charge-off consistent with the class of loan they would be included in had the loss share coverage not been in place. Generally, purchased impaired loans are considered accruing loans. However, the timing and amount of future cash flows for some loans is not reasonably estimable, and those loans are classified as nonaccrual loans with interest income not recognized until the timing and amount of the future cash flows can be reasonably estimated.

The following table provides a summary of loans by portfolio class, including the delinquency status of those that continue to accrue interest, and those that are nonperforming:

(Dollars in Millions)	Accruing			Nonperforming	Total
	Current	30-89 Days Past Due	90 Days or More Past Due		
September 30, 2018					
Commercial	\$ 98,765	\$ 230	\$ 62	\$ 216	\$ 99,273
Commercial real estate	39,828	30	3	105	39,966
Residential mortgages (a)	62,302	167	118	317	62,904
Credit card	21,301	309	259	—	21,869
Other retail	55,412	365	97	175	56,049
Total loans, excluding covered loans	277,608	1,101	539	813	280,061
Covered loans (b)	1,382	6	12	—	1,400
Total loans	\$278,990	\$ 1,107	\$ 551	\$ 813	\$281,461
December 31, 2017					
Commercial	\$ 97,005	\$ 250	\$ 57	\$ 249	\$ 97,561
Commercial real estate	40,279	36	6	142	40,463
Residential mortgages (a)	59,013	198	130	442	59,783
Credit card	21,593	302	284	1	22,180
Other retail	56,685	376	95	168	57,324
Total loans, excluding covered loans	274,575	1,162	572	1,002	277,311
Covered loans	2,917	50	148	6	3,121
Total loans	\$277,492	\$ 1,212	\$ 720	\$ 1,008	\$280,432

(a) At September 30, 2018, \$414 million of loans 30–89 days past due and \$1.7 billion of loans 90 days or more past due purchased from Government National Mortgage Association (“GNMA”) mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs, were classified as current, compared with \$385 million and \$1.9 billion at December 31, 2017, respectively.

(b) Effective September 30, 2018, the Company transferred \$1.3 billion of covered loans to loans held for sale. Included in the amount transferred were \$42 million of loans 30-89 days past due, \$108 million of loans 90 days or more past due and \$6 million of loans that were nonperforming.

At September 30, 2018, the amount of foreclosed residential real estate held by the Company, and included in other real estate owned (“OREO”), was \$114 million, compared with \$156 million at December 31, 2017. These amounts exclude \$240 million and \$267 million at September 30, 2018 and December 31, 2017, respectively, of foreclosed residential real estate related to mortgage loans whose payments are primarily insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs. In addition, the amount of residential mortgage loans secured by residential real estate in the process of foreclosure at September 30, 2018 and December 31, 2017, was \$1.6 billion and \$1.7 billion, respectively, of which \$1.2 billion and \$1.3 billion at September 30, 2018 and December 31, 2017, respectively, related to loans purchased from Government National Mortgage Association (“GNMA”) mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs.

The Company classifies its loan portfolios using internal credit quality ratings on a quarterly basis. These ratings include pass, special mention and classified, and are an important part of the Company’s overall credit risk management process and evaluation of the allowance for credit losses. Loans with a pass rating represent those loans not classified on the Company’s rating scale for problem credits, as minimal credit risk has been identified. Special mention loans are those loans that have a potential weakness deserving management’s close attention. Classified loans are those loans where a well-defined weakness has been identified that may put full collection of contractual cash flows at risk. It is possible that others, given the same information, may reach different reasonable conclusions regarding the credit quality rating classification of specific loans.

The following table provides a summary of loans by portfolio class and the Company's internal credit quality rating:

(Dollars in Millions)	Criticized				Total
	Pass	Special Mention	Classified (a)	Total Criticized	
September 30, 2018					
Commercial	\$ 96,739	\$ 1,382	\$ 1,152	\$ 2,534	\$ 99,273
Commercial real estate	38,820	542	604	1,146	39,966
Residential mortgages (b)	62,401	14	489	503	62,904
Credit card	21,610	—	259	259	21,869
Other retail	55,732	8	309	317	56,049
Total loans, excluding covered loans	275,302	1,946	2,813	4,759	280,061
Covered loans	1,358	—	42	42	1,400
Total loans	\$276,660	\$1,946	\$ 2,855	\$ 4,801	\$281,461
Total outstanding commitments	\$595,205	\$2,810	\$ 3,517	\$ 6,327	\$601,532
December 31, 2017					
Commercial	\$ 95,297	\$ 1,130	\$ 1,134	\$ 2,264	\$ 97,561
Commercial real estate	39,162	648	653	1,301	40,463
Residential mortgages (b)	59,141	16	626	642	59,783
Credit card	21,895	—	285	285	22,180
Other retail	57,009	6	309	315	57,324
Total loans, excluding covered loans	272,504	1,800	3,007	4,807	277,311
Covered loans	3,072	—	49	49	3,121
Total loans	\$275,576	\$1,800	\$ 3,056	\$ 4,856	\$280,432
Total outstanding commitments	\$584,072	\$3,142	\$ 3,987	\$ 7,129	\$591,201

(a) Classified rating on consumer loans primarily based on delinquency status.

(b) At September 30, 2018, \$1.7 billion of GNMA loans 90 days or more past due and \$1.7 billion of restructured GNMA loans whose repayments are insured by the Federal Housing Administration or guaranteed by the United States Department of Veterans Affairs were classified with a pass rating, compared with \$1.9 billion and \$1.7 billion at December 31, 2017, respectively.

For all loan classes, a loan is considered to be impaired when, based on current events or information, it is probable the Company will be unable to collect all amounts due per the contractual terms of the loan agreement. Impaired loans include all nonaccrual and TDR loans. For all loan classes, interest income on TDR loans is recognized under the modified terms and conditions if the borrower has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles. Interest income is generally not recognized on other impaired loans until the loan is paid off. However, interest income may be recognized for interest payments if the remaining carrying amount of the loan is believed to be collectible.

Factors used by the Company in determining whether all principal and interest payments due on commercial and commercial real estate loans will be collected and, therefore, whether those loans are impaired include, but are not limited to, the financial condition of the borrower, collateral and/or guarantees on the loan, and the borrower's estimated future ability to pay based on industry, geographic location and certain financial ratios. The evaluation of impairment on residential mortgages, credit card loans and other retail loans is primarily driven by delinquency status of individual loans or whether a loan has been modified, and considers any government guarantee where applicable. Individual covered loans, whose future losses are covered by loss sharing agreements with the FDIC that substantially reduce the risk of credit losses to the Company, are evaluated for impairment and accounted for in a manner consistent with the class of loan they would have been included in had the loss sharing coverage not been in place.

A summary of impaired loans, which include all nonaccrual and TDR loans, by portfolio class was as follows:

(Dollars in Millions)	Period-end Recorded Investment (a)	Unpaid Principal Balance	Valuation Allowance	Commitments to Lend Additional Funds
September 30, 2018				
Commercial	\$ 453	\$ 812	\$ 44	\$ 141
Commercial real estate	327	538	13	17
Residential mortgages	1,747	1,875	95	—
Credit card	239	239	64	—
Other retail	309	391	19	5
Total loans, excluding GNMA and covered loans	3,075	3,855	235	163
Loans purchased from GNMA mortgage pools	1,668	1,668	30	—
Covered loans	10	31	1	—
Total	\$ 4,753	\$ 5,554	\$ 266	\$ 163
December 31, 2017				
Commercial	\$ 550	\$ 915	\$ 44	\$ 199
Commercial real estate	280	596	11	—
Residential mortgages	1,946	2,339	116	1
Credit card	230	230	60	—
Other retail	302	400	22	4
Total loans, excluding GNMA and covered loans	3,308	4,480	253	204
Loans purchased from GNMA mortgage pools	1,681	1,681	25	—
Covered loans	38	44	1	—
Total	\$ 5,027	\$ 6,205	\$ 279	\$ 204

(a) Substantially all loans classified as impaired at September 30, 2018 and December 31, 2017, had an associated allowance for credit losses.

Additional information on impaired loans follows:

(Dollars in Millions)	2018		2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Three Months Ended September 30				
Commercial	\$ 470	\$ 3	\$ 624	\$ 3
Commercial real estate	279	4	272	2
Residential mortgages	1,779	18	2,111	25
Credit card	236	1	231	1
Other retail	309	4	288	4
Total loans, excluding GNMA and covered loans	3,073	30	3,526	35
Loans purchased from GNMA mortgage pools	1,666	12	1,672	17
Covered loans	23	—	38	—
Total	\$ 4,762	\$ 42	\$ 5,236	\$ 52
Nine Months Ended September 30				
Commercial	\$ 510	\$ 5	\$ 720	\$ 5
Commercial real estate	263	8	274	7
Residential mortgages	1,846	57	2,178	82
Credit card	234	3	229	3
Other retail	304	12	282	11
Total loans, excluding GNMA and covered loans	3,157	85	3,683	108
Loans purchased from GNMA mortgage pools	1,635	36	1,688	54
Covered loans	33	1	37	—
Total	\$ 4,825	\$ 122	\$ 5,408	\$ 162

Troubled Debt Restructurings In certain circumstances, the Company may modify the terms of a loan to maximize the collection of amounts due when a borrower is experiencing financial difficulties or is expected to experience difficulties in the near-term. Concessionary modifications are classified as TDRs unless the modification results in only an insignificant delay in payments to be received. The Company recognizes interest on TDRs if the borrower complies with the revised terms and conditions as agreed upon with the Company and has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles, which is generally six months or greater. To the extent a previous restructuring was insignificant, the Company considers the cumulative effect of past restructurings related to the receivable when determining whether a current restructuring is a TDR. Loans classified as TDRs are considered impaired loans for reporting and measurement purposes.

The following table provides a summary of loans modified as TDRs during the periods presented by portfolio class:

(Dollars in Millions)	2018			2017		
	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance
Three Months Ended September 30						
Commercial	700	\$ 42	\$ 33	616	\$ 40	\$ 27
Commercial real estate	38	123	125	29	18	16
Residential mortgages	144	19	17	141	15	16
Credit card	8,450	42	43	8,106	38	38
Other retail	763	17	16	1,949	39	32
Total loans, excluding GNMA and covered loans	10,095	243	234	10,841	150	129
Loans purchased from GNMA mortgage pools	1,649	216	211	1,340	169	171
Covered loans	3	1	1	3	—	—
Total loans	11,747	\$ 460	\$ 446	12,184	\$ 319	\$ 300
Nine Months Ended September 30						
Commercial	2,047	\$ 255	\$ 234	2,117	\$ 239	\$ 195
Commercial real estate	97	154	155	93	56	55
Residential mortgages	397	56	53	641	72	73
Credit card	24,457	122	124	25,657	123	124
Other retail	1,857	45	43	3,210	65	55
Total loans, excluding GNMA and covered loans	28,855	632	609	31,718	555	502
Loans purchased from GNMA mortgage pools	4,785	631	619	5,312	697	686
Covered loans	3	1	1	10	2	2
Total loans	33,643	\$ 1,264	\$ 1,229	37,040	\$ 1,254	\$ 1,190

Residential mortgages, home equity and second mortgages, and loans purchased from GNMA mortgage pools in the table above include trial period arrangements offered to customers during the periods presented. The post-modification balances for these loans reflect the current outstanding balance until a permanent modification is made. In addition, the post-modification balances typically include capitalization of unpaid accrued interest and/or fees under the various modification programs. For those loans modified as TDRs during the third quarter of 2018, at September 30, 2018, 66 residential mortgages, 36 home equity and second mortgage loans and 1,127 loans purchased from GNMA mortgage pools with outstanding balances of \$12 million, \$3 million and \$149 million, respectively, were in a trial period and have estimated post-modification balances of \$12 million, \$3 million and \$151 million, respectively, assuming permanent modification occurs at the end of the trial period.

The Company has implemented certain restructuring programs that may result in TDRs. However, many of the Company's TDRs are also determined on a case-by-case basis in connection with ongoing loan collection processes.

For the commercial lending segment, modifications generally result in the Company working with borrowers on a case-by-case basis. Commercial and commercial real estate modifications generally include extensions of the maturity date and may be accompanied by an increase or decrease to the interest rate, which may not be deemed a market interest rate. In addition, the Company may work with the borrower in identifying other changes that mitigate loss to the Company, which may include additional collateral or guarantees to support the loan. To a lesser extent, the Company may waive contractual principal. The Company classifies all of the above concessions as TDRs to the extent the Company determines that the borrower is experiencing financial difficulty.

Modifications for the consumer lending segment are generally part of programs the Company has initiated. The Company modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, or its own internal programs. Under these programs, the Company offers qualifying homeowners the opportunity to permanently modify their loan and achieve more affordable monthly payments by providing loan concessions. These concessions may include adjustments to interest rates, conversion of adjustable rates to fixed rates, extension of maturity dates or deferrals of payments, capitalization of accrued interest and/or outstanding advances, or in limited situations, partial forgiveness of loan principal. In most instances, participation in residential mortgage loan restructuring programs requires the customer to complete a short-term trial period. A permanent loan modification is contingent on the customer successfully completing the trial period arrangement, and the loan documents are not modified until that time. The Company reports loans in a trial period arrangement as TDRs and continues to report them as TDRs after the trial period.

Credit card and other retail loan TDRs are generally part of distinct restructuring programs providing customers experiencing financial difficulty with modifications whereby balances may be amortized up to 60 months, and generally include waiver of fees and reduced interest rates.

In addition, the Company considers secured loans to consumer borrowers that have debt discharged through bankruptcy where the borrower has not reaffirmed the debt to be TDRs.

Modifications to loans in the covered segment are similar in nature to that described above for non-covered loans, and the evaluation and determination of TDR status is similar, except that acquired loans restructured after acquisition are not considered TDRs for accounting and disclosure purposes if the loans evidenced credit deterioration as of the acquisition date and are accounted for in pools. Losses associated with the modification on covered loans, including the economic impact of interest rate reductions, are generally eligible for reimbursement under loss sharing agreements with the FDIC.

The following table provides a summary of TDR loans that defaulted (fully or partially charged-off or became 90 days or more past due) during the periods presented that were modified as TDRs within 12 months previous to default:

(Dollars in Millions)	2018		2017	
	Number of Loans	Amount Defaulted	Number of Loans	Amount Defaulted
Three Months Ended September 30				
Commercial	207	\$ 51	200	\$ 25
Commercial real estate	10	2	10	3
Residential mortgages	34	4	84	7
Credit card	1,924	9	2,076	9
Other retail	93	1	89	1
Total loans, excluding GNMA and covered loans	2,268	67	2,459	45
Loans purchased from GNMA mortgage pools	380	50	354	46
Covered loans	—	—	1	—
Total loans	2,648	\$ 117	2,814	\$ 91
Nine Months Ended September 30				
Commercial	623	\$ 63	555	\$ 49
Commercial real estate	26	8	28	6
Residential mortgages	148	15	251	26
Credit card	5,893	26	6,107	26
Other retail	240	3	320	4
Total loans, excluding GNMA and covered loans	6,930	115	7,261	111
Loans purchased from GNMA mortgage pools	1,129	148	711	95
Covered loans	1	—	2	—
Total loans	8,060	\$ 263	7,974	\$ 206

In addition to the defaults in the table above, the Company had a total of 240 and 716 residential mortgage loans, home equity and second mortgage loans and loans purchased from GNMA mortgage pools for the three months and nine months ended September 30, 2018, respectively, where borrowers did not successfully complete the trial period arrangement and, therefore, are no longer eligible for a permanent modification under the applicable modification program. These loans had aggregate outstanding balances of \$27 million and \$73 million for the three months and nine months ended September 30, 2018, respectively.

Covered Assets Covered assets represent loans and other assets acquired from the FDIC, subject to loss sharing agreements, and include expected reimbursements from the FDIC. The carrying amount of the covered assets consisted of purchased impaired loans, purchased nonimpaired loans and other assets as shown in the following table:

(Dollars in Millions)	September 30, 2018				December 31, 2017			
	Purchased Impaired Loans	Purchased Nonimpaired Loans	Other	Total	Purchased Impaired Loans	Purchased Nonimpaired Loans	Other	Total
Residential mortgage loans (a)	\$ 669	\$ 245	\$ —	\$ 914	\$ 2,012	\$ 400	\$ —	\$ 2,412
Other retail loans	—	99	—	99	—	151	—	151
Losses reimbursable by the FDIC (b)	—	—	329	329	—	—	320	320
Unamortized changes in FDIC asset (c)	—	—	58	58	—	—	238	238
Covered loans	669	344	387	1,400	2,012	551	558	3,121
Covered loans held for sale (a)	—	—	1,296	1,296	—	—	—	—
Foreclosed real estate	—	—	19	19	—	—	21	21
Total covered assets	\$ 669	\$ 344	\$ 1,702	\$ 2,715	\$ 2,012	\$ 551	\$ 579	\$ 3,142

(a) Effective September 30, 2018, the Company transferred \$1.3 billion of covered residential mortgage loans to loans held for sale.

(b) Relates to loss sharing agreements with remaining terms up through the fourth quarter of 2019.

(c) Represents decreases in expected reimbursements by the FDIC as a result of decreases in expected losses on the covered loans. These amounts are amortized as a reduction in interest income on covered loans over the shorter of the expected life of the respective covered loans or the remaining contractual term of the indemnification agreements.

Interest income is recognized on purchased impaired loans through accretion of the difference between the carrying amount of those loans and their expected cash flows. The initial determination of the fair value of the purchased loans includes the impact of expected credit losses and, therefore, no allowance for credit losses is recorded at the purchase date. To the extent credit deterioration occurs after the date of acquisition, the Company records an allowance for credit losses.

Note 5 Accounting for Transfers and Servicing of Financial Assets and Variable Interest Entities

The Company transfers financial assets in the normal course of business. The majority of the Company's financial asset transfers are residential mortgage loan sales primarily to government-sponsored enterprises ("GSEs"), transfers of tax-advantaged investments, commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. Guarantees provided to certain third parties in connection with the transfer of assets are further discussed in Note 15.

For loans sold under participation agreements, the Company also considers whether the terms of the loan participation agreement meet the accounting definition of a participating interest. With the exception of servicing and certain performance-based guarantees, the Company's continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses. Any gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the consideration received, and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets and other interests that continue to be held by the Company are initially recognized at fair value. For further information on mortgage servicing rights ("MSRs"), refer to Note 6. On a limited basis, the Company may acquire and package high-grade corporate bonds for select corporate customers, in which the Company generally has no continuing involvement with these transactions. Additionally, the Company is an authorized GNMA issuer and issues GNMA securities on a regular basis. The Company has no other asset securitizations or similar asset-backed financing arrangements that are off-balance sheet.

The Company also provides financial support primarily through the use of waivers of trust and investment management fees associated with various unconsolidated registered money market funds it manages. The Company provided \$6 million of support to the funds during both the three months ended September 30, 2018 and 2017, and \$18 million and \$17 million during the nine months ended September 30, 2018 and 2017, respectively.

The Company is involved in various entities that are considered to be variable interest entities ("VIEs"). The Company's investments in VIEs are primarily related to investments promoting affordable housing, community development and renewable energy sources. Some of these tax-advantaged investments support the Company's regulatory compliance with the Community Reinvestment Act. The Company's investments in these entities generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, such as tax deductions from operating losses of the investments, over specified time periods. These tax credits are recognized as a reduction of tax expense or, for investments qualifying as investment tax credits, as a reduction to the related

investment asset. The Company recognized federal and state income tax credits related to its affordable housing and other tax-advantaged investments in tax expense of \$150 million and \$173 million for the three months ended September 30, 2018 and 2017, respectively, and \$486 million and \$495 million for the nine months ended September 30, 2018 and 2017, respectively. The Company also recognized \$90 million and \$361 million of investment tax credits for the three months ended September 30, 2018 and 2017, respectively, and \$368 million and \$843 million for the nine months ended September 30, 2018 and 2017, respectively. The Company recognized \$133 million and \$163 million of expenses related to all of these investments for the three months ended September 30, 2018 and 2017, respectively, of which \$67 million and \$61 million, respectively, were included in tax expense and the remaining amounts were included in noninterest expense. The Company recognized \$434 million and \$464 million of expenses related to all of these investments for the nine months ended September 30, 2018 and 2017, respectively, of which \$202 million and \$187 million, respectively, were included in tax expense and the remaining amounts were included in noninterest expense.

The Company is not required to consolidate VIEs in which it has concluded it does not have a controlling financial interest, and thus is not the primary beneficiary. In such cases, the Company does not have both the power to direct the entities' most significant activities and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIEs.

The Company's investments in these unconsolidated VIEs are carried in other assets on the Consolidated Balance Sheet. The Company's unfunded capital and other commitments related to these unconsolidated VIEs are generally carried in other liabilities on the Consolidated Balance Sheet. The Company's maximum exposure to loss from these unconsolidated VIEs include the investment recorded on the Company's Consolidated Balance Sheet, net of unfunded capital commitments, and previously recorded tax credits which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level. While the Company believes potential losses from these investments are remote, the maximum exposure was determined by assuming a scenario where the community-based business and housing projects completely fail and do not meet certain government compliance requirements resulting in recapture of the related tax credits.

The following table provides a summary of investments in community development and tax-advantaged VIEs that the Company has not consolidated:

(Dollars in Millions)	September 30, 2018	December 31, 2017
Investment carrying amount	\$ 5,517	\$ 5,660
Unfunded capital and other commitments	2,583	2,770
Maximum exposure to loss	12,173	12,120

The Company also has noncontrolling financial investments in private investment funds and partnerships considered to be VIEs, which are not consolidated. The Company's recorded investment in these entities, carried in other assets on the Consolidated Balance Sheet, was approximately \$30 million at September 30, 2018 and December 31, 2017. The maximum exposure to loss related to these VIEs was \$55 million at September 30, 2018 and \$51 million at December 31, 2017, representing the Company's investment balance and its unfunded commitments to invest additional amounts.

The Company's individual net investments in unconsolidated VIEs, which exclude any unfunded capital commitments, ranged from less than \$1 million to \$45 million at September 30, 2018, compared with less than \$1 million to \$56 million at December 31, 2017.

The Company is required to consolidate VIEs in which it has concluded it has a controlling financial interest. The Company sponsors entities to which it transfers its interests in tax-advantaged investments to third parties. At September 30, 2018, approximately \$4.0 billion of the Company's assets and \$2.9 billion of its liabilities included on the Consolidated Balance Sheet were related to community development and tax-advantaged investment VIEs which the Company has consolidated, primarily related to these transfers. These amounts compared to \$3.5 billion and \$2.5 billion, respectively, at December 31, 2017. The majority of the assets of these consolidated VIEs are reported in other assets, and the liabilities are reported in long-term debt and other liabilities. The assets of a particular VIE are the primary source of funds to settle its obligations. The creditors of the VIEs do not have recourse to the general credit of the Company. The Company's exposure to the consolidated VIEs is generally limited to the carrying value of its variable interests plus any related tax credits previously recognized or transferred to others with a guarantee.

The Company also sponsors a conduit to which it previously transferred high-grade investment securities. The Company consolidates the conduit because of its ability to manage the activities of the conduit. At September 30, 2018 and December 31, 2017, \$18 million of the held-to-maturity investment securities on the Company's Consolidated Balance Sheet were related to the conduit.

In addition, the Company sponsors a municipal bond securities tender option bond program. The Company controls the activities of the program's entities, is entitled to the residual returns and provides liquidity and remarketing arrangements to the program. As a result, the Company has consolidated the program's entities. At September 30, 2018, \$2.4 billion of available-for-sale investment securities and \$2.3 billion of short-term borrowings on the Consolidated Balance Sheet were related to the tender option bond program, compared with \$2.5 billion of available-for-sale investment securities and \$2.3 billion of short-term borrowings at December 31, 2017.

Note 6 Mortgage Servicing Rights

The Company capitalizes MSRs as separate assets when loans are sold and servicing is retained. MSRs may also be purchased from others. The Company carries MSRs at fair value, with changes in the fair value recorded in earnings during the period in which they occur. The Company serviced \$232.6 billion of residential mortgage loans for others at September 30, 2018, and \$234.7 billion at December 31, 2017, including subserviced mortgages with no corresponding MSR asset. Included in mortgage banking revenue are the MSR fair value changes arising from market rate and model assumption changes, net of the value change in derivatives used to economically hedge MSRs. A net gain of \$1 million and a net loss of less than \$1 million are included for the three months ended September 30, 2018 and 2017, respectively, and net gains of \$44 million and \$17 million are included for the nine months ended September 30, 2018 and 2017, respectively. Loan servicing and ancillary fees, not including valuation changes, included in mortgage banking revenue were \$182 million and \$183 million for the three months ended September 30, 2018 and 2017, respectively, and \$557 million and \$561 million for the nine months ended September 30, 2018 and 2017, respectively.

Changes in fair value of capitalized MSRs are summarized as follows:

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Balance at beginning of period	\$ 2,844	\$ 2,582	\$ 2,645	\$ 2,591
Rights purchased	2	4	6	10
Rights capitalized	109	115	306	319
Rights sold	(15)	—	(15)	—
Changes in fair value of MSRs				
Due to fluctuations in market interest rates (a)	68	(12)	220	(42)
Due to revised assumptions or models (b)	2	1	52	18
Other changes in fair value (c)	(93)	(92)	(297)	(298)
Balance at end of period	\$ 2,917	\$ 2,598	\$ 2,917	\$ 2,598

(a) Includes changes in MSR value associated with changes in market interest rates, including estimated prepayment rates and anticipated earnings on escrow deposits.

(b) Includes changes in MSR value not caused by changes in market interest rates, such as changes in cost to service, ancillary income and option adjusted spread, as well as the impact of any model changes.

(c) Primarily represents changes due to realization of expected cash flows over time (decay).

The estimated sensitivity to changes in interest rates of the fair value of the MSR portfolio and the related derivative instruments was as follows:

(Dollars in Millions)	September 30, 2018						December 31, 2017					
	Down 100 bps	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps	Up 100 bps	Down 100 bps	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps	Up 100 bps
MSR portfolio	\$ (420)	\$ (184)	\$ (85)	\$ 73	\$ 134	\$ 228	\$ (520)	\$ (231)	\$ (109)	\$ 95	\$ 177	\$ 302
Derivative instrument hedges	405	182	85	(74)	(138)	(247)	453	216	105	(96)	(184)	(336)
Net sensitivity	\$ (15)	\$ (2)	\$ —	\$ (1)	\$ (4)	\$ (19)	\$ (67)	\$ (15)	\$ (4)	\$ (1)	\$ (7)	\$ (34)

The fair value of MSR's and their 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 government-insured mortgages, conventional mortgages and Housing Finance Agency ("HFA") mortgages. The servicing portfolios are predominantly comprised of fixed-rate agency loans with limited adjustable-rate or jumbo mortgage loans. The HFA servicing portfolio is comprised of loans originated under state and local housing authority program guidelines which assist purchases by first-time or low- to moderate-income homebuyers through a favorable rate subsidy, down payment and/or closing cost assistance on government- and conventional-insured mortgages.

A summary of the Company's MSR's and related characteristics by portfolio was as follows:

(Dollars in Millions)	September 30, 2018				December 31, 2017			
	HFA	Government	Conventional (c)	Total	HFA	Government	Conventional (c)	Total
Servicing portfolio (a)	\$43,303	\$ 36,258	\$ 150,982	\$230,543	\$40,737	\$ 36,756	\$ 155,353	\$232,846
Fair value	\$ 527	\$ 484	\$ 1,906	\$ 2,917	\$ 450	\$ 428	\$ 1,767	\$ 2,645
Value (bps) (b)	122	133	126	127	110	116	114	114
Weighted-average servicing fees (bps)	34	35	27	29	35	34	27	29
Multiple (value/servicing fees)	3.55	3.78	4.73	4.29	3.17	3.38	4.24	3.86
Weighted-average note rate	4.54%	3.96%	4.04%	4.12%	4.43%	3.92%	4.02%	4.08%
Weighted-average age (in years)	3.3	4.5	4.4	4.2	3.0	4.3	4.2	4.0
Weighted-average expected prepayment (constant prepayment rate)	9.0%	10.0%	8.1%	8.6%	9.8%	11.6%	9.7%	10.0%
Weighted-average expected life (in years)	8.1	7.1	7.5	7.5	7.7	6.5	6.9	7.0
Weighted-average option adjusted spread (d)	8.7%	8.3%	7.2%	7.7%	9.9%	9.2%	7.2%	8.0%

(a) Represents principal balance of mortgages having corresponding MSR asset.

(b) Calculated as fair value divided by the servicing portfolio.

(c) Represents loans sold primarily to GSEs.

(d) Option adjusted spread is the incremental spread added to the risk-free rate to reflect optionality and other risk inherent in the MSR's.

Note 7 Preferred Stock

At September 30, 2018 and December 31, 2017, the Company had authority to issue 50 million shares of preferred stock. The number of shares issued and outstanding and the carrying amount of each outstanding series of the Company's preferred stock were as follows:

(Dollars in Millions)	September 30, 2018				December 31, 2017			
	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount
Series A	12,510	\$ 1,251	\$ 145	\$ 1,106	12,510	\$ 1,251	\$ 145	\$ 1,106
Series B	40,000	1,000	—	1,000	40,000	1,000	—	1,000
Series F	44,000	1,100	12	1,088	44,000	1,100	12	1,088
Series H	20,000	500	13	487	20,000	500	13	487
Series I	30,000	750	5	745	30,000	750	5	745
Series J	40,000	1,000	7	993	40,000	1,000	7	993
Series K	23,000	575	10	565	—	—	—	—
Total preferred stock (a)	209,510	\$ 6,176	\$ 192	\$ 5,984	186,510	\$ 5,601	\$ 182	\$ 5,419

(a) The par value of all shares issued and outstanding at September 30, 2018 and December 31, 2017, was \$1.00 per share.

During the third quarter of 2018, the Company issued depositary shares representing an ownership interest in 23,000 shares of Series K Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series K Preferred Stock"). The Series K Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to 5.50 percent. The Series K Preferred Stock is redeemable at the Company's option, in whole or in part, on or after October 15, 2023. The Series K Preferred stock is redeemable at the Company's option, in whole, but not in part, prior to October 15, 2023 within 90 days following an official administrative or judicial decision, amendment to, or change in the laws or regulations that would not allow the Company to treat the full liquidation value of the Series K Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

Note 8 Accumulated Other Comprehensive Income (Loss)

Shareholders' equity is affected by transactions and valuations of asset and liability positions that require adjustments to accumulated other comprehensive income (loss). The reconciliation of the transactions affecting accumulated other comprehensive income (loss) included in shareholders' equity is as follows:

Three Months Ended September 30 (Dollars in Millions)	Unrealized Gains (Losses) on Investment Securities Available-For- Sale	Unrealized Gains (Losses) on Investment Securities Transferred From Available-For-Sale to Held-To- Maturity	Unrealized Gains (Losses) on Derivative Hedges	Unrealized Gains (Losses) on Retirement Plans	Foreign Currency Translation	Total
2018						
Balance at beginning of period	\$ (1,183)	\$ 17	\$ 176	\$ (1,244)	\$ (81)	\$ (2,315)
Changes in unrealized gains and losses	(411)	—	40	—	—	(371)
Foreign currency translation adjustment (a)	—	—	—	—	7	7
Reclassification to earnings of realized gains and losses	(10)	(2)	(2)	34	—	20
Applicable income taxes	107	—	(10)	(9)	(2)	86
Balance at end of period	\$ (1,497)	\$ 15	\$ 204	\$ (1,219)	\$ (76)	\$ (2,573)
2017						
Balance at beginning of period	\$ (174)	\$ 21	\$ 51	\$ (1,077)	\$ (67)	\$ (1,246)
Changes in unrealized gains and losses	24	—	(3)	—	—	21
Foreign currency translation adjustment (a)	—	—	—	—	2	2
Reclassification to earnings of realized gains and losses	(9)	(3)	4	29	—	21
Applicable income taxes	(7)	1	—	(11)	—	(17)
Balance at end of period	\$ (166)	\$ 19	\$ 52	\$ (1,059)	\$ (65)	\$ (1,219)

(a) Represents the impact of changes in foreign currency exchange rates on the Company's investment in foreign operations and related hedges.

Nine Months Ended September 30 (Dollars in Millions)	Unrealized Gains (Losses) on Investment Securities Available-For- Sale	Unrealized Gains (Losses) on Investment Securities Transferred From Available-For-Sale to Held-To- Maturity	Unrealized Gains (Losses) on Derivative Hedges	Unrealized Gains (Losses) on Retirement Plans	Foreign Currency Translation	Total
2018						
Balance at beginning of period	\$ (357)	\$ 17	\$ 71	\$ (1,066)	\$ (69)	\$ (1,404)
Revaluation of tax related balances (a)	(77)	4	15	(229)	(13)	(300)
Changes in unrealized gains and losses	(1,399)	—	159	(1)	—	(1,241)
Foreign currency translation adjustment (b)	—	—	—	—	12	12
Reclassification to earnings of realized gains and losses	(25)	(7)	(1)	103	—	70
Applicable income taxes	361	1	(40)	(26)	(6)	290
Balance at end of period	\$ (1,497)	\$ 15	\$ 204	\$ (1,219)	\$ (76)	\$ (2,573)
2017						
Balance at beginning of period	\$ (431)	\$ 25	\$ 55	\$ (1,113)	\$ (71)	\$ (1,535)
Changes in unrealized gains and losses	479	—	(33)	—	—	446
Foreign currency translation adjustment (b)	—	—	—	—	11	11
Reclassification to earnings of realized gains and losses	(47)	(10)	28	87	—	58
Applicable income taxes	(167)	4	2	(33)	(5)	(199)
Balance at end of period	\$ (166)	\$ 19	\$ 52	\$ (1,059)	\$ (65)	\$ (1,219)

(a) Represents the impact of the reduced federal statutory tax rate for corporations included in 2017 tax reform legislation, reclassified out of accumulated other comprehensive income and into retained earnings as of the beginning of the period.

(b) Represents the impact of changes in foreign currency exchange rates on the Company's investment in foreign operations and related hedges.

Additional detail about the impact to net income for items reclassified out of accumulated other comprehensive income (loss) and into earnings is as follows:

(Dollars in Millions)	Impact to Net Income				Affected Line Item in the Consolidated Statement of Income
	Three Months Ended September 30		Nine Months Ended September 30		
	2018	2017	2018	2017	
Unrealized gains (losses) on investment securities available-for-sale					
Realized gains (losses) on sale of investment securities	\$ 10	\$ 9	\$ 25	\$ 47	Total securities gains (losses), net
	(2)	(4)	(6)	(18)	Applicable income taxes
	8	5	19	29	Net-of-tax
Unrealized gains (losses) on investment securities transferred from available-for-sale to held-to-maturity					
Amortization of unrealized gains	2	3	7	10	Interest income
	–	(1)	(1)	(4)	Applicable income taxes
	2	2	6	6	Net-of-tax
Unrealized gains (losses) on derivative hedges					
Realized gains (losses) on derivative hedges	2	(4)	1	(28)	Interest expense
	(1)	2	(1)	11	Applicable income taxes
	1	(2)	–	(17)	Net-of-tax
Unrealized gains (losses) on retirement plans					
Actuarial gains (losses) and prior service cost (credit) amortization	(34)	(29)	(103)	(87)	Employee benefits expense
	8	11	26	33	Applicable income taxes
	(26)	(18)	(77)	(54)	Net-of-tax
Total impact to net income	\$ (15)	\$ (13)	\$ (52)	\$ (36)	

Note 9 Earnings Per Share

The components of earnings per share were:

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net income attributable to U.S. Bancorp	\$ 1,815	\$ 1,563	\$ 5,240	\$ 4,536
Preferred dividends	(76)	(71)	(210)	(204)
Impact of preferred stock redemption (a)	—	—	—	(10)
Earnings allocated to participating stock awards	(7)	(7)	(23)	(20)
Net income applicable to U.S. Bancorp common shareholders	\$ 1,732	\$ 1,485	\$ 5,007	\$ 4,302
Average common shares outstanding	1,629	1,672	1,641	1,683
Net effect of the exercise and assumed purchase of stock awards	4	6	4	6
Average diluted common shares outstanding	1,633	1,678	1,645	1,689
Earnings per common share	\$ 1.06	\$.89	\$ 3.05	\$ 2.56
Diluted earnings per common share	\$ 1.06	\$.88	\$ 3.04	\$ 2.55

(a) Represents stock issuance costs originally recorded in preferred stock upon the issuance of the Company's Series G Preferred Stock that were reclassified to retained earnings on the date the Company announced its intent to redeem the outstanding shares.

Options outstanding at September 30, 2018, to purchase 1 million common shares for the three months and nine months ended September 30, 2018, and outstanding at September 30, 2017, to purchase 1 million common shares for the three months and nine months ended September 30, 2017, were not included in the computation of diluted earnings per share because they were antidilutive.

Note 10 Employee Benefits

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

(Dollars in Millions)	Three Months Ended September 30				Nine Months Ended September 30			
	Pension Plans		Postretirement Welfare Plan		Pension Plans		Postretirement Welfare Plan	
	2018	2017	2018	2017	2018	2017	2018	2017
Service cost	\$ 52	\$ 47	\$ —	\$ —	\$ 156	\$ 140	\$ —	\$ —
Interest cost	56	55	—	—	168	165	1	2
Expected return on plan assets	(95)	(71)	—	(1)	(284)	(213)	(2)	(2)
Prior service cost (credit) amortization	—	—	(1)	(1)	—	(1)	(2)	(3)
Actuarial loss (gain) amortization	36	31	(1)	(1)	109	95	(4)	(4)
Net periodic benefit cost (a)	\$ 49	\$ 62	\$ (2)	\$ (3)	\$ 149	\$ 186	\$ (7)	\$ (7)

(a) Service cost is included in employee benefits expense on the Consolidated Statement of Income. All other components are included in other noninterest expense on the Consolidated Statement of Income.

Note 11 Income Taxes

The components of income tax expense were:

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Federal				
Current	\$ 385	\$ 455	\$ 931	\$ 1,479
Deferred	(53)	54	(17)	(103)
Federal income tax	332	509	914	1,376
State				
Current	141	53	295	199
Deferred	(13)	27	54	64
State income tax	128	80	349	263
Total income tax provision	\$ 460	\$ 589	\$ 1,263	\$ 1,639

A reconciliation of expected income tax expense at the federal statutory rate of 21 percent for 2018 and 35 percent for 2017 to the Company's applicable income tax expense follows:

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Tax at statutory rate	\$ 479	\$ 755	\$ 1,370	\$ 2,172
State income tax, at statutory rates, net of federal tax benefit	102	71	287	201
Tax effect of				
Tax credits and benefits, net of related expenses	(122)	(187)	(369)	(577)
Exam resolutions	—	—	(49)	—
Tax-exempt income	(33)	(50)	(98)	(150)
Noncontrolling interests	(2)	(2)	(5)	(9)
Other items	36	2	127	2
Applicable income taxes	\$ 460	\$ 589	\$ 1,263	\$ 1,639

The Company's income tax returns are subject to review and examination by federal, state, local and foreign government authorities. On an ongoing basis, numerous federal, state, local and foreign examinations are in progress and cover multiple tax years. As of September 30, 2018, the federal taxing authority has completed its examination of the Company through the fiscal year ended December 31, 2010. The years open to examination by foreign, state and local government authorities vary by jurisdiction.

The Company's net deferred tax asset was \$915 million at September 30, 2018 and \$473 million at December 31, 2017.

Note 12 Derivative Instruments

In the ordinary course of business, the Company enters into derivative transactions to manage various risks and to accommodate the business requirements of its customers. The Company recognizes all derivatives on the Consolidated Balance Sheet at fair value in other assets or in other liabilities. On the date the Company enters into a derivative contract, the derivative is designated as either a fair value hedge, cash flow hedge, net investment hedge, or a designation is not made as it is a customer-related transaction, an economic hedge for asset/liability risk management purposes or another stand-alone derivative created through the Company's operations ("free-standing derivative"). When a derivative is designated as a fair value, cash flow or net investment hedge, the Company performs an assessment, at inception and, at a minimum, quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the value or cash flows of the hedged item(s).

Fair Value Hedges These derivatives are interest rate swaps the Company uses to hedge the change in fair value related to interest rate changes of its underlying fixed-rate debt. Changes in the fair value of derivatives designated as fair value hedges, and changes in the fair value of the hedged items, are recorded in earnings. There were no fair value hedges at September 30, 2018.

Cash Flow Hedges These derivatives are interest rate swaps the Company uses to hedge the forecasted cash flows from its underlying variable-rate debt. Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income (loss) until the cash flows of the hedged items are realized. If a derivative designated as a cash flow hedge is terminated or ceases to be highly effective, the gain or loss in other comprehensive income (loss) is amortized to earnings over the period the forecasted hedged transactions impact earnings. If a hedged forecasted transaction is no longer probable, hedge accounting is ceased and any gain or loss included in other comprehensive income (loss) is reported in earnings immediately, unless the forecasted transaction is at least reasonably possible of occurring, whereby the amounts remain within other comprehensive income (loss). At September 30, 2018, the Company had \$204 million (net-of-tax) of realized and unrealized gains on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with \$71 million (net-of-tax) of realized and unrealized gains at December 31, 2017. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the remainder of 2018 and the next 12 months are gains of \$11 million (net-of-tax) and \$76 million (net-of-tax), respectively. This amount includes gains and losses related to hedges that were terminated early for which the forecasted transactions are still probable. All cash flow hedges were highly effective for the three and nine months ended September 30, 2018.

Net Investment Hedges The Company uses forward commitments to sell specified amounts of certain foreign currencies, and non-derivative debt instruments, to hedge the volatility of its net investment in foreign operations driven by fluctuations in foreign currency exchange rates. The carrying amount of non-derivative debt instruments designated as net investment hedges was \$1.2 billion at September 30, 2018 and December 31, 2017.

Other Derivative Positions The Company enters into free-standing derivatives to mitigate interest rate risk and for other risk management purposes. These derivatives include forward commitments to sell to-be-announced securities ("TBAs") and other commitments to sell residential mortgage loans, which are used to economically hedge the interest rate risk related to residential mortgage loans held for sale ("MLHFS") and unfunded mortgage loan commitments. The Company also enters into interest rate swaps, swaptions, forward commitments to buy TBAs, U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures to economically hedge the change in the fair value of the Company's MSRs. The Company also enters into foreign currency forwards to economically hedge remeasurement gains and losses the Company recognizes on foreign currency denominated assets and liabilities. In addition, the Company acts as a seller and buyer of interest rate derivatives and foreign exchange contracts for its customers. The Company mitigates the market and liquidity risk associated with these customer derivatives by entering into similar offsetting positions with broker-dealers, or on a portfolio basis by entering into other derivative or non-derivative financial instruments that partially or fully offset the exposure from these customer-related positions. The Company's customer derivatives and related hedges are monitored and reviewed by the Company's Market Risk Committee, which establishes policies for market risk management, including exposure limits for each portfolio. The Company also has derivative contracts that are created through its operations, including certain unfunded mortgage loan commitments and swap agreements related to the sale of a portion of its Class B common shares of Visa Inc. Refer to Note 14 for further information on these swap agreements.

For additional information on the Company's purpose for entering into derivative transactions and its overall risk management strategies, refer to "Management Discussion and Analysis — Use of Derivatives to Manage Interest Rate and Other Risks", which is incorporated by reference into these Notes to Consolidated Financial Statements.

The following table summarizes the asset and liability management derivative positions of the Company:

	Asset Derivatives			Liability Derivatives		
	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
(Dollars in Millions)						
September 30, 2018						
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	\$ 5,492	\$ 14	4.81	\$ 6,450	\$ 4	.99
Net investment hedges						
Foreign exchange forward contracts	209	3	.05	208	1	.05
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	752	3	.18	1,996	11	.05
Sell	16,373	24	.85	1,820	3	.03
Options						
Purchased	6,195	93	9.20	—	—	—
Written	941	20	.09	8	—	.08
Receive fixed/pay floating swaps	51	—	29.78	7,755	—	10.05
Pay fixed/receive floating swaps	5,010	—	7.15	42	—	15.24
Foreign exchange forward contracts	52	—	.05	573	4	.03
Equity contracts	86	1	.70	57	1	.46
Credit contracts	2,190	—	3.29	4,958	1	4.13
Other (a)	103	—	.01	1,455	89	1.63
Total	<u>\$37,454</u>	<u>\$158</u>		<u>\$25,322</u>	<u>\$114</u>	
December 31, 2017						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 1,000	\$ 28	6.70	\$ 3,600	\$ 16	1.55
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	3,772	5	6.73	—	—	—
Net investment hedges						
Foreign exchange forward contracts	—	—	—	373	8	.05
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	1,632	7	.10	1,326	2	.04
Sell	15,291	10	.89	4,511	10	.03
Options						
Purchased	4,985	65	7.57	—	—	—
Written	1,285	21	.10	5	—	.05
Receive fixed/pay floating swaps	2,019	5	16.49	5,469	—	8.43
Pay fixed/receive floating swaps	4,844	21	7.69	46	1	6.70
Foreign exchange forward contracts	147	1	.02	669	8	.04
Equity contracts	45	—	1.10	88	1	.58
Credit contracts	1,559	—	3.41	3,779	1	3.16
Other (a)	—	—	—	1,164	125	2.50
Total	<u>\$36,579</u>	<u>\$163</u>		<u>\$21,030</u>	<u>\$172</u>	

(a) Includes derivative liability swap agreements related to the sale of a portion of the Company's Class B common shares of Visa Inc. The Visa swap agreements had a total notional value, fair value and weighted average remaining maturity of \$1.4 billion, \$89 million and 1.75 years at September 30, 2018, respectively, compared to \$1.2 billion, \$125 million and 2.50 years at December 31, 2017, respectively. In addition, includes short-term underwriting purchase and sale commitments with total asset and liability notional values of \$103 million at September 30, 2018.

[Table of Contents](#)

The following table summarizes the customer-related derivative positions of the Company:

	Asset Derivatives			Liability Derivatives		
	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
(Dollars in Millions)						
September 30, 2018						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 16,380	\$ 394	6.36	\$ 84,602	\$ 861	4.88
Pay fixed/receive floating swaps	86,194	534	4.72	18,496	309	5.06
Options						
Purchased	38,022	75	1.58	799	1	4.39
Written	799	1	4.39	34,682	71	1.43
Futures						
Sell	8,626	11	.74	—	—	—
Foreign exchange rate contracts						
Forwards, spots and swaps	25,311	637	.89	24,532	618	.86
Options						
Purchased	3,263	64	.86	—	—	—
Written	—	—	—	3,263	64	.86
Total	\$ 178,595	\$ 1,716		\$ 166,374	\$ 1,924	
December 31, 2017						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 28,681	\$ 679	5.71	\$ 59,990	\$ 840	4.27
Pay fixed/receive floating swaps	63,038	860	4.20	25,093	602	5.76
Options						
Purchased	29,091	22	1.61	880	14	4.24
Written	880	15	4.24	27,056	20	1.50
Futures						
Sell	7,007	4	1.21	—	—	—
Foreign exchange rate contracts						
Forwards, spots and swaps	24,099	656	.81	23,440	636	.83
Options						
Purchased	4,026	83	1.20	—	—	—
Written	—	—	—	4,026	83	1.20
Total	\$ 156,822	\$ 2,319		\$ 140,485	\$ 2,195	

The table below shows the effective portion of the gains (losses) recognized in other comprehensive income (loss) and the gains (losses) reclassified from other comprehensive income (loss) into earnings (net-of-tax):

	Three Months Ended September 30				Nine Months Ended September 30			
	Gains (Losses) Recognized in Other Comprehensive Income (Loss)	Gains (Losses) Recognized in Other Comprehensive Income (Loss) into Earnings			Gains (Losses) Recognized in Other Comprehensive Income (Loss)	Gains (Losses) Recognized in Other Comprehensive Income (Loss) into Earnings		
	2018	2017	2018	2017	2018	2017	2018	2017
Asset and Liability Management Positions								
Cash flow hedges								
Interest rate contracts	\$ 29	\$ (1)	\$ 1	\$ (2)	\$ 118	\$ (20)	\$ —	\$ (17)
Net investment hedges								
Foreign exchange forward contracts	—	(7)	—	—	28	(55)	—	—
Non-derivative debt instruments	6	(24)	—	—	22	(35)	—	—

Note: The Company does not exclude components from effectiveness testing for cash flow and net investment hedges.

[Table of Contents](#)

The table below shows the effect of fair value and cash flow hedge accounting on the Consolidated Statement of Income:

(Dollars in Millions)	Three Months Ended September 30				Nine Months Ended September 30			
	Other Noninterest		Interest Expense		Other Noninterest		Interest Expense	
	2018	2017	2018	2017	2018	2017	2018	2017
Total amount of income and expense line items presented in the Consolidated Statement of Income in which the effects of fair value or cash flow hedges are recorded	\$ 226	\$ 194	\$ 872	\$ 528	\$ 600	\$ 569	\$ 2,246	\$ 1,411
Asset and Liability Management Positions								
Fair value hedges								
Interest rate contract derivatives	—	(6)	—	—	—	(2)	5	—
Hedged items	—	6	—	—	—	2	(5)	—
Cash Flow hedges								
Interest rate contract derivatives	—	—	(2)	4	—	—	(1)	28

Note: The Company does not exclude components from effectiveness testing for fair value and cash flow hedges. The Company did not reclassify gains or losses into earnings as a result of the discontinuance of cash flow hedges during the three and nine months ended September 30, 2018 and 2017.

The table below shows cumulative hedging adjustments and the carrying amount of assets (liabilities) designated in fair value hedges:

(Dollars in Millions)	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Hedging Adjustment (a)	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
	Line Item in the Consolidated Balance Sheet			
Long-term Debt	\$ —	\$ 4,584	\$ (36)	\$ (8)

(a) The cumulative hedging adjustment at September 30, 2018 relates to discontinued hedging relationships. The Company did not have any hedging adjustments for discontinued fair value hedges at December 31, 2017.

The table below shows the gains (losses) recognized in earnings for other economic hedges and the customer-related positions:

		Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in Millions)	Location of Gains (Losses) Recognized in Earnings	2018	2017	2018	2017
Asset and Liability Management Positions					
Other economic hedges					
Interest rate contracts					
Futures and forwards	Mortgage banking revenue	\$ 23	\$ (16)	\$ 96	\$ (11)
Purchased and written options	Mortgage banking revenue	46	82	144	199
Receive fixed/pay floating swaps	Mortgage banking revenue	(80)	28	(220)	176
Pay fixed/receive floating swaps	Mortgage banking revenue	12	(19)	(4)	(130)
Foreign exchange forward contracts	Other noninterest income	(9)	(13)	18	(50)
Equity contracts	Compensation expense	—	—	(1)	—
Credit contracts	Other noninterest income	1	—	3	1
Other	Other noninterest income	—	—	1	(1)
Customer-Related Positions					
Interest rate contracts					
Receive fixed/pay floating swaps	Commercial products revenue	(429)	221	(1,944)	(352)
Pay fixed/receive floating swaps	Commercial products revenue	445	(190)	1,977	412
Purchased and written options	Commercial products revenue	(1)	(18)	1	(26)
Futures	Commercial products revenue	3	1	14	(1)
Foreign exchange rate contracts					
Forwards, spots and swaps	Commercial products revenue	20	23	65	69
Purchased and written options	Commercial products revenue	—	1	—	2

Derivatives are subject to credit risk associated with counterparties to the derivative contracts. The Company measures that credit risk using a credit valuation adjustment and includes it within the fair value of the derivative. The Company manages counterparty credit risk through diversification of its derivative positions among various counterparties, by entering into derivative positions that are centrally cleared through clearinghouses, by entering into master netting arrangements and, where possible, by requiring collateral arrangements. A master netting arrangement allows two counterparties, who have multiple derivative contracts with each other, the ability to net settle amounts under all contracts, including any related collateral, through a single payment and in a single currency. Collateral arrangements generally require the counterparty to deliver collateral (typically cash or U.S. Treasury and agency

securities) equal to the Company's net derivative receivable, subject to minimum transfer and credit rating requirements.

The Company's collateral arrangements are predominately bilateral and, therefore, contain provisions that require collateralization of the Company's net liability derivative positions. Required collateral coverage is based on net liability thresholds and may be contingent upon the Company's credit rating from two of the nationally recognized statistical rating organizations. If the Company's credit rating were to fall below credit ratings thresholds established in the collateral arrangements, the counterparties to the derivatives could request immediate additional collateral coverage up to and including full collateral coverage for derivatives in a net liability position. The aggregate fair value of all derivatives under collateral arrangements that were in a net liability position at September 30, 2018, was \$443 million. At September 30, 2018, the Company had \$369 million of cash posted as collateral against this net liability position.

Note 13 Netting Arrangements for Certain Financial Instruments and Securities Financing Activities

The Company's derivative portfolio consists of bilateral over-the-counter trades, certain interest rate derivatives and credit contracts required to be centrally cleared through clearinghouses per current regulations, and exchange-traded positions which may include U.S. Treasury and Eurodollar futures or options on U.S. Treasury futures. Of the Company's \$407.7 billion total notional amount of derivative positions at September 30, 2018, \$213.4 billion related to bilateral over-the-counter trades, \$173.7 billion related to those centrally cleared through clearinghouses and \$20.6 billion related to those that were exchange-traded. The Company's derivative contracts typically include offsetting rights (referred to as netting arrangements), and depending on expected volume, credit risk, and counterparty preference, collateral maintenance may be required. For all derivatives under collateral support arrangements, fair value is determined daily and, depending on the collateral maintenance requirements, the Company and a counterparty may receive or deliver collateral, based upon the net fair value of all derivative positions between the Company and the counterparty. Collateral is typically cash, but securities may be allowed under collateral arrangements with certain counterparties. Receivables and payables related to cash collateral are included in other assets and other liabilities on the Consolidated Balance Sheet, along with the related derivative asset and liability fair values. Any securities pledged to counterparties as collateral remain on the Consolidated Balance Sheet. Securities received from counterparties as collateral are not recognized on the Consolidated Balance Sheet, unless the counterparty defaults. In general, securities used as collateral can be sold, repledged or otherwise used by the party in possession. No restrictions exist on the use of cash collateral by either party. Refer to Note 12 for further discussion of the Company's derivatives, including collateral arrangements.

As part of the Company's treasury and broker-dealer operations, the Company executes transactions that are treated as securities sold under agreements to repurchase or securities purchased under agreements to resell, both of which are accounted for as collateralized financings. Securities sold under agreements to repurchase include repurchase agreements and securities loaned transactions. Securities purchased under agreements to resell include reverse repurchase agreements and securities borrowed transactions. For securities sold under agreements to repurchase, the Company records a liability for the cash received, which is included in short-term borrowings on the Consolidated Balance Sheet. For securities purchased under agreements to resell, the Company records a receivable for the cash paid, which is included in other assets on the Consolidated Balance Sheet.

Securities transferred to counterparties under repurchase agreements and securities loaned transactions continue to be recognized on the Consolidated Balance Sheet, are measured at fair value, and are included in investment securities or other assets. Securities received from counterparties under reverse repurchase agreements and securities borrowed transactions are not recognized on the Consolidated Balance Sheet unless the counterparty defaults. The securities transferred under repurchase and reverse repurchase transactions typically are U.S. Treasury and agency securities, residential agency mortgage-backed securities or corporate debt securities. The securities loaned or borrowed typically are corporate debt securities traded by the Company's broker-dealer subsidiary. In general, the securities transferred can be sold, repledged or otherwise used by the party in possession. No restrictions exist on the use of cash collateral by either party. Repurchase/reverse repurchase and securities loaned/borrowed transactions expose the Company to counterparty risk. The Company manages this risk by performing assessments, independent of business line managers, and establishing concentration limits on each counterparty. Additionally, these transactions include collateral arrangements that require the fair values of the underlying securities to be determined daily, resulting in cash being obtained or refunded to counterparties to maintain specified collateral levels.

The following table summarizes the maturities by category of collateral pledged for repurchase agreements and securities loaned transactions:

(Dollars in Millions)	Overnight and Continuous	Less Than 30 Days	30-89 Days	Greater Than 90 Days	Total
September 30, 2018					
Repurchase agreements					
U.S. Treasury and agencies	\$ 145	\$ —	\$ —	\$ —	\$ 145
Residential agency mortgage-backed securities	354	642	—	1,446	2,442
Corporate debt securities	361	46	30	—	437
Total repurchase agreements	860	688	30	1,446	3,024
Securities loaned					
Corporate debt securities	108	—	—	—	108
Total securities loaned	108	—	—	—	108
Gross amount of recognized liabilities	\$ 968	\$ 688	\$ 30	\$ 1,446	\$ 3,132
December 31, 2017					
Repurchase agreements					
U.S. Treasury and agencies	\$ 25	\$ —	\$ —	\$ —	\$ 25
Residential agency mortgage-backed securities	644	30	—	—	674
Corporate debt securities	104	—	—	—	104
Total repurchase agreements	773	30	—	—	803
Securities loaned					
Corporate debt securities	111	—	—	—	111
Total securities loaned	111	—	—	—	111
Gross amount of recognized liabilities	\$ 884	\$ 30	\$ —	\$ —	\$ 914

The Company executes its derivative, repurchase/reverse repurchase and securities loaned/borrowed transactions under the respective industry standard agreements. These agreements include master netting arrangements that allow for multiple contracts executed with the same counterparty to be viewed as a single arrangement. This allows for net settlement of a single amount on a daily basis. In the event of default, the master netting arrangement provides for close-out netting, which allows all of these positions with the defaulting counterparty to be terminated and net settled with a single payment amount.

The Company has elected to offset the assets and liabilities under netting arrangements for the balance sheet presentation of the majority of its derivative counterparties. The netting occurs at the counterparty level, and includes all assets and liabilities related to the derivative contracts, including those associated with cash collateral received or delivered. The Company has not elected to offset the assets and liabilities under netting arrangements for the balance sheet presentation of repurchase/reverse repurchase and securities loaned/borrowed transactions.

The following tables provide information on the Company's netting adjustments, and items not offset on the Consolidated Balance Sheet but available for offset in the event of default:

(Dollars in Millions)	Gross Recognized Assets	Gross Amounts Offset on the Consolidated Balance Sheet (a)	Net Amounts Presented on the Consolidated Balance Sheet	Gross Amounts Not Offset on the Consolidated Balance Sheet		Net Amount
				Financial Instruments (b)	Collateral Received (c)	
September 30, 2018						
Derivative assets (d)	\$ 1,851	\$ (899)	\$ 952	\$ (70)	\$ (1)	\$ 881
Reverse repurchase agreements	247	—	247	(80)	(167)	—
Securities borrowed	1,072	—	1,072	—	(1,037)	35
Total	\$ 3,170	\$ (899)	\$ 2,271	\$ (150)	\$ (1,205)	\$ 916
December 31, 2017						
Derivative assets (d)	\$ 1,759	\$ (652)	\$ 1,107	\$ (110)	\$ (5)	\$ 992
Reverse repurchase agreements	24	—	24	(24)	—	—
Securities borrowed	923	—	923	—	(896)	27
Total	\$ 2,706	\$ (652)	\$ 2,054	\$ (134)	\$ (901)	\$ 1,019

(a) Includes \$299 million and \$50 million of cash collateral related payables that were netted against derivative assets at September 30, 2018 and December 31, 2017, respectively.

(b) For derivative assets this includes any derivative liability fair values that could be offset in the event of counterparty default; for reverse repurchase agreements this includes any repurchase agreement payables that could be offset in the event of counterparty default; for securities borrowed this includes any securities loaned payables that could be offset in the event of counterparty default.

(c) Includes the fair value of securities received by the Company from the counterparty. These securities are not included on the Consolidated Balance Sheet unless the counterparty defaults.

(d) Excludes \$23 million and \$723 million at September 30, 2018 and December 31, 2017, respectively, of derivative assets not subject to netting arrangements.

(Dollars in Millions)	Gross Recognized Liabilities	Gross Amounts Offset on the Consolidated Balance Sheet (a)	Net Amounts Presented on the Consolidated Balance Sheet	Gross Amounts Not Offset on the Consolidated Balance Sheet		Net Amount
				Financial Instruments (b)	Collateral Pledged (c)	
September 30, 2018						
Derivative liabilities (d)	\$ 1,943	\$ (969)	\$ 974	\$ (70)	\$ —	\$ 904
Repurchase agreements	3,024	—	3,024	(80)	(2,944)	—
Securities loaned	108	—	108	—	(106)	2
Total	\$ 5,075	\$ (969)	\$ 4,106	\$ (150)	\$ (3,050)	\$ 906
December 31, 2017						
Derivative liabilities (d)	\$ 1,629	\$ (1,130)	\$ 499	\$ (110)	\$ —	\$ 389
Repurchase agreements	803	—	803	(24)	(779)	—
Securities loaned	111	—	111	—	(110)	1
Total	\$ 2,543	\$ (1,130)	\$ 1,413	\$ (134)	\$ (889)	\$ 390

(a) Includes \$369 million and \$528 million of cash collateral related receivables that were netted against derivative liabilities at September 30, 2018 and December 31, 2017, respectively.

(b) For derivative liabilities this includes any derivative asset fair values that could be offset in the event of counterparty default; for repurchase agreements this includes any reverse repurchase agreement receivables that could be offset in the event of counterparty default; for securities loaned this includes any securities borrowed receivables that could be offset in the event of counterparty default.

(c) Includes the fair value of securities pledged by the Company to the counterparty. These securities are included on the Consolidated Balance Sheet unless the Company defaults.

(d) Excludes \$95 million and \$738 million at September 30, 2018 and December 31, 2017, respectively, of derivative liabilities not subject to netting arrangements.

Note 14 Fair Values of Assets and Liabilities

The Company uses fair value measurements for the initial recording of certain assets and liabilities, periodic remeasurement of certain assets and liabilities, and disclosures. Derivatives, trading and available-for-sale investment securities, MSRs and substantially all MLHFS are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower-of-cost-or-fair value accounting or impairment write-downs of individual assets.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value measurement reflects all of the assumptions that market participants would use in pricing the asset or liability, including assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

The Company groups its assets and liabilities measured at fair value into a three-level hierarchy for valuation techniques used to measure financial assets and financial liabilities at fair value. This hierarchy is based on whether the valuation inputs are observable or unobservable. These levels are:

- Level 1 — Quoted prices in active markets for identical assets or liabilities. Level 1 includes U.S. Treasury securities, as well as exchange-traded instruments.
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 includes debt securities that are traded less frequently than exchange-traded instruments and which are typically valued using third party pricing services; derivative contracts and other assets and liabilities, including securities, whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data; and MLHFS whose values are determined using quoted prices for similar assets or pricing models with inputs that are observable in the market or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes MSRs and certain derivative contracts.

The following section describes the valuation methodologies used by the Company to measure financial assets and liabilities at fair value. In addition, the following section includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified. Where appropriate, the description includes information about the valuation models and key inputs to those models. During the nine months ended September 30, 2018 and 2017, there were no significant changes to the valuation techniques used by the Company to measure fair value.

Available-For-Sale Investment Securities When quoted market prices for identical securities are available in an active market, these prices are used to determine fair value and these securities are classified within Level 1 of the fair value hierarchy. Level 1 investment securities include U.S. Treasury and exchange-traded securities.

For other securities, quoted market prices may not be readily available for the specific securities. When possible, the Company determines fair value based on market observable information, including quoted market prices for similar securities, inactive transaction prices, and broker quotes. These securities are classified within Level 2 of the fair value hierarchy. Level 2 valuations are generally provided by a third party pricing service. Level 2 investment securities are predominantly agency mortgage-backed securities, certain other asset-backed securities, obligations of state and political subdivisions and agency debt securities.

Mortgage Loans Held For Sale MLHFS measured at fair value, for which an active secondary market and readily available market prices exist, are initially valued at the transaction price and are subsequently valued by comparison to instruments with similar collateral and risk profiles. MLHFS are classified within Level 2. Included in mortgage banking revenue was a \$4 million net loss and a \$28 million net gain for the three months ended September 30, 2018 and 2017, respectively, and a \$61 million net loss and a \$69 million net gain for the nine months ended September 30, 2018 and 2017, respectively, from the changes to fair value of these MLHFS under fair value option accounting guidance. Changes in fair value due to instrument specific credit risk were immaterial. Interest income for MLHFS is measured based on contractual interest rates and reported as interest income on the Consolidated Statement of Income. Electing to measure MLHFS at fair value reduces certain timing differences and better matches changes in fair value of these assets with changes in the value of the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Mortgage Servicing Rights MSRs are valued using a discounted cash flow methodology, and are classified within Level 3. The Company determines fair value of the MSRs by projecting future cash flows for different interest rate scenarios using prepayment rates and other assumptions, and discounts these cash flows using a risk adjusted rate based on option adjusted spread levels. There is minimal observable market activity for MSRs on comparable portfolios and, therefore, the determination of fair value requires significant management judgment. Refer to Note 6 for further information on MSR valuation assumptions.

Derivatives The majority of derivatives held by the Company are executed over-the-counter or centrally cleared through clearinghouses and are valued using standard cash flow, Black-Derman-Toy and Monte Carlo valuation techniques. The models incorporate inputs, depending on the type of derivative, including interest rate curves, foreign exchange rates and volatility. All derivative values incorporate an assessment of the risk of counterparty nonperformance, measured based on the Company's evaluation of credit risk as well as external assessments of credit risk, where available. The Company monitors and manages its nonperformance risk by considering its ability to net derivative positions under master netting arrangements, as well as collateral received or provided under collateral arrangements. Accordingly, the Company has elected to measure the fair value of derivatives, at a counterparty level, on a net basis. The majority of the derivatives are classified within Level 2 of the fair value hierarchy, as the significant inputs to the models, including nonperformance risk, are observable. However, certain derivative transactions are with counterparties where risk of nonperformance cannot be observed in the market and, therefore, the credit valuation adjustments result in these derivatives being classified within Level 3 of the fair value hierarchy.

The Company also has other derivative contracts that are created through its operations, including commitments to purchase and originate mortgage loans and swap agreements executed in conjunction with the sale of a portion of its Class B common shares of Visa Inc. (the "Visa swaps"). The mortgage loan commitments are valued by pricing models that include market observable and unobservable inputs, which result in the commitments being classified within Level 3 of the fair value hierarchy. The unobservable inputs include assumptions about the percentage of commitments that actually become a closed loan and the MSR value that is inherent in the underlying loan value. The Visa swaps require payments by either the Company or the purchaser of the Visa Inc. Class B common shares when there are changes in the conversion rate of the Visa Inc. Class B common shares to Visa Inc. Class A common shares, as well as quarterly payments to the purchaser based on specified terms of the agreements. Management reviews and updates the Visa swaps fair value in conjunction with its review of Visa Inc. related litigation contingencies, and the associated escrow funding. The expected litigation resolution impacts the Visa Inc. Class B common share to Visa Inc. Class A common share conversion rate, as well as the ultimate termination date for the Visa swaps. Accordingly, the Visa swaps are classified within Level 3. Refer to Note 15 for further information on the Visa Inc. restructuring and related card association litigation.

Significant Unobservable Inputs of Level 3 Assets and Liabilities

The following section provides information to facilitate an understanding of the uncertainty in the fair value measurements for the Company's Level 3 assets and liabilities recorded at fair value on the Consolidated Balance Sheet. This section includes a description of the significant inputs used by the Company and a description of any interrelationships between these inputs. The discussion below excludes nonrecurring fair value measurements of collateral value used for impairment measures for loans and OREO. These valuations utilize third party appraisal or broker price opinions, and are classified as Level 3 due to the significant judgment involved.

Mortgage Servicing Rights The significant unobservable inputs used in the fair value measurement of the Company's MSRs are expected prepayments and the option adjusted spread that is added to the risk-free rate to discount projected cash flows. Significant increases in either of these inputs in isolation would have resulted in a significantly lower fair value measurement. Significant decreases in either of these inputs in isolation would have resulted in a significantly higher fair value measurement. There is no direct interrelationship between prepayments and option adjusted spread. Prepayment rates generally move in the opposite direction of market interest rates. Option adjusted spread is generally impacted by changes in market return requirements.

The following table shows the significant valuation assumption ranges for MSRs at September 30, 2018:

	Minimum	Maximum	Weighted Average (a)
Expected prepayment	7%	17%	9%
Option adjusted spread	7	10	8

(a) Determined based on the relative fair value of the related mortgage loans serviced.

Derivatives The Company has two distinct Level 3 derivative portfolios: (i) the Company's commitments to purchase and originate mortgage loans that meet the requirements of a derivative and (ii) the Company's asset/liability and customer-related derivatives that are Level 3 due to unobservable inputs related to measurement of risk of nonperformance by the counterparty. In addition, the Company's Visa swaps are classified within Level 3.

The significant unobservable inputs used in the fair value measurement of the Company's derivative commitments to purchase and originate mortgage loans are the percentage of commitments that actually become a closed loan and the MSR value that is inherent in the underlying loan value. A significant increase in the rate of loans that close would have resulted in a larger derivative asset or liability. A significant increase in the inherent MSR value would have resulted in an increase in the derivative asset or a reduction in the derivative liability. Expected loan close rates and the inherent MSR values are directly impacted by changes in market rates and will generally move in the same direction as interest rates.

The following table shows the significant valuation assumption ranges for the Company's derivative commitments to purchase and originate mortgage loans at September 30, 2018:

	Minimum	Maximum	Weighted Average (a)
Expected loan close rate	6%	100%	80%
Inherent MSR value (basis points per loan)	28	208	127

(a) Determined based on the relative fair value of the related mortgage loans.

The significant unobservable input used in the fair value measurement of certain of the Company's asset/liability and customer-related derivatives is the credit valuation adjustment related to the risk of counterparty nonperformance. A significant increase in the credit valuation adjustment would have resulted in a lower fair value measurement. A significant decrease in the credit valuation adjustment would have resulted in a higher fair value measurement. The credit valuation adjustment is impacted by changes in the Company's assessment of the counterparty's credit position. At September 30, 2018, the minimum, maximum and weighted average credit valuation adjustment as a percentage of the derivative contract fair value prior to adjustment was 0 percent, 97 percent and 0 percent, respectively.

The significant unobservable inputs used in the fair value measurement of the Visa swaps are management's estimate of the probability of certain litigation scenarios, and the timing of the resolution of the related litigation loss estimates in excess, or shortfall, of the Company's proportional share of escrow funds. An increase in the loss estimate or a delay in the resolution of the related litigation would have resulted in an increase in the derivative liability. A decrease in the loss estimate or an acceleration of the resolution of the related litigation would have resulted in a decrease in the derivative liability.

[Table of Contents](#)

The following table summarizes the balances of assets and liabilities measured at fair value on a recurring basis:

(Dollars in Millions)	Level 1	Level 2	Level 3	Netting	Total
September 30, 2018					
Available-for-sale securities					
U.S. Treasury and agencies	\$ 18,910	\$ 671	\$ —	\$ —	\$ 19,581
Mortgage-backed securities					
Residential agency	—	38,310	—	—	38,310
Commercial agency	—	5	—	—	5
Other asset-backed securities	—	408	—	—	408
Obligations of state and political subdivisions	—	6,608	—	—	6,608
Total available-for-sale	18,910	46,002	—	—	64,912
Mortgage loans held for sale	—	3,228	—	—	3,228
Mortgage servicing rights	—	—	2,917	—	2,917
Derivative assets	16	1,426	432	(899)	975
Other assets	216	1,494	—	—	1,710
Total	\$ 19,142	\$ 52,150	\$ 3,349	\$ (899)	\$ 73,742
Derivative liabilities	\$ —	\$ 1,248	\$ 790	\$ (969)	\$ 1,069
Short-term borrowings and other liabilities (a)	205	1,051	—	—	1,256
Total	\$ 205	\$ 2,299	\$ 790	\$ (969)	\$ 2,325
December 31, 2017					
Available-for-sale securities					
U.S. Treasury and agencies	\$ 22,572	\$ 729	\$ —	\$ —	\$ 23,301
Mortgage-backed securities					
Residential agency	—	38,031	—	—	38,031
Commercial agency	—	6	—	—	6
Other asset-backed securities	—	419	—	—	419
Obligations of state and political subdivisions	—	6,358	—	—	6,358
Other	22	—	—	—	22
Total available-for-sale	22,594	45,543	—	—	68,137
Mortgage loans held for sale	—	3,534	—	—	3,534
Mortgage servicing rights	—	—	2,645	—	2,645
Derivative assets	6	1,960	516	(652)	1,830
Other assets	154	1,163	—	—	1,317
Total	\$ 22,754	\$ 52,200	\$ 3,161	\$ (652)	\$ 77,463
Derivative liabilities	\$ —	\$ 1,958	\$ 409	\$ (1,130)	\$ 1,237
Short-term borrowings and other liabilities (a)	101	894	—	—	995
Total	\$ 101	\$ 2,852	\$ 409	\$ (1,130)	\$ 2,232

Note: Excluded from the table above are equity investments without readily determinable fair values. The Company has elected to carry these investments at historical cost, adjusted for impairment and any changes resulting from observable price changes for identical or similar investments of the issuer. The aggregate carrying amount of these equity investments was \$90 million at September 30, 2018. The Company has not recorded impairments or adjustments for observable price changes on these equity investments during the first nine months of 2018 or on a cumulative basis.

(a) Primarily represents the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.

The following table presents the changes in fair value for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended September 30:

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Principal Payments	Issuances	Settlements	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at End of Period
2018										
Mortgage servicing rights	\$ 2,844	\$ (23) (a)	\$ —	\$ 2	\$ (15)	\$ —	\$ 109 (c)	\$ —	\$ 2,917	\$ (23) (a)
Net derivative assets and liabilities	(256)	(81) (b)	—	2	(13)	—	—	(10)	(358)	(81) (d)
2017										
Mortgage servicing rights	\$ 2,582	\$ (103) (a)	\$ —	\$ 4	\$ —	\$ —	\$ 115 (c)	\$ —	\$ 2,598	\$ (103) (a)
Net derivative assets and liabilities	240	111 (e)	—	—	(3)	—	—	(95)	253	41 (f)

(a) Included in mortgage banking revenue.

(b) Approximately \$(122) million included in other noninterest income and \$41 million included in mortgage banking revenue.

(c) Represents MSRs capitalized during the period.

(d) Approximately \$(97) million included in other noninterest income and \$16 million included in mortgage banking revenue.

(e) Approximately \$18 million included in other noninterest income and \$93 million included in mortgage banking revenue.

(f) Approximately \$9 million included in other noninterest income and \$32 million included in mortgage banking revenue.

Table of Contents

The following table presents the changes in fair value for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30:

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Purchases	Sales	Principal Payments	Issuances	Settlements	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets and Liabilities Held at End of Period
2018										
Mortgage servicing rights	\$ 2,645	\$ (25) (c)	\$ —	\$ 6	\$ (15)	\$ —	\$ 306 (e)	\$ —	\$ 2,917	\$ (25) (c)
Net derivative assets and liabilities	107	(426) (d)	—	3	(35)	—	—	(7)	(358)	(402) (f)
2017										
Available-for-sale securities										
Residential non-agency mortgage-backed securities										
Prime (a)	\$ 242	\$ —	\$ (2)	\$ —	\$ (234)	\$ (6)	\$ —	\$ —	\$ —	\$ —
Non-prime (b)	195	—	(17)	—	(175)	(3)	—	—	—	—
Other asset-backed securities	2	—	—	—	(2)	—	—	—	—	—
Corporate debt securities	9	—	2	—	(11)	—	—	—	—	—
Total available-for-sale	448	—	(17) (g)	—	(422)	(9)	—	—	—	—
Mortgage servicing rights	2,591	(322) (c)	—	10	—	—	319 (e)	—	2,598	(322) (c)
Net derivative assets and liabilities	171	372 (h)	—	1	(8)	—	—	(283)	253	87 (i)

- (a) Prime securities are those designated as such by the issuer at origination. When an issuer designation is unavailable, the Company determines at acquisition date the categorization based on asset pool characteristics (such as weighted-average credit score, loan-to-value, loan type, prevalence of low documentation loans) and deal performance (such as pool delinquencies and security market spreads).
- (b) Includes all securities not meeting the conditions to be designated as prime.
- (c) Included in mortgage banking revenue.
- (d) Approximately \$(537) million included in other noninterest income and \$111 million included in mortgage banking revenue.
- (e) Represents MSRs capitalized during the period.
- (f) Approximately \$(418) million included in other noninterest income and \$16 million included in mortgage banking revenue.
- (g) Included in changes in unrealized gains and losses on investment securities available-for-sale.
- (h) Approximately \$128 million included in other noninterest income and \$244 million included in mortgage banking revenue.
- (i) Approximately \$55 million included in other noninterest income and \$32 million included in mortgage banking revenue.

The Company is also required periodically to measure certain other financial assets at fair value on a nonrecurring basis. These measurements of fair value usually result from the application of lower-of-cost-or-fair value accounting or write-downs of individual assets.

The following table summarizes the balances as of the measurement date of assets measured at fair value on a nonrecurring basis, and still held as of the reporting date:

(Dollars in Millions)	September 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans (a)	\$ —	\$ —	\$ 53	\$ 53	\$ —	\$ —	\$ 150	\$ 150
Other assets (b)	—	—	39	39	—	—	31	31

- (a) Represents the carrying value of loans for which adjustments were based on the fair value of the collateral, excluding loans fully charged-off.
- (b) Primarily represents the fair value of foreclosed properties that were measured at fair value based on an appraisal or broker price opinion of the collateral subsequent to their initial acquisition.

The following table summarizes losses recognized related to nonrecurring fair value measurements of individual assets or portfolios:

(Dollars in Millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Loans (a)	\$ 25	\$ 45	\$ 66	\$ 120
Other assets (b)	5	3	18	15

- (a) Represents write-downs of loans which were based on the fair value of the collateral, excluding loans fully charged-off.
- (b) Primarily represents related losses of foreclosed properties that were measured at fair value subsequent to their initial acquisition.

Fair Value Option

The following table summarizes the differences between the aggregate fair value carrying amount of MLHFS for which the fair value option has been elected and the aggregate unpaid principal amount that the Company is contractually obligated to receive at maturity:

(Dollars in Millions)	September 30, 2018			December 31, 2017		
	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal
Total loans	\$ 3,228	\$ 3,159	\$ 69	\$ 3,534	\$ 3,434	\$ 100
Nonaccrual loans	2	2	—	1	2	(1)
Loans 90 days or more past due	1	1	—	1	1	—

Fair Value of Financial Instruments

The following section summarizes the estimated fair value for financial instruments accounted for at amortized cost as of September 30, 2018 and December 31, 2017. In accordance with disclosure guidance related to fair values of financial instruments, the Company did not include assets and liabilities that are not financial instruments, such as the value of goodwill, long-term relationships with deposit, credit card, merchant processing and trust customers, other purchased intangibles, premises and equipment, deferred taxes and other liabilities. Additionally, in accordance with the disclosure guidance, receivables and payables due in one year or less, insurance contracts, equity investments not accounted for at fair value, and deposits with no defined or contractual maturities are excluded.

The estimated fair values of the Company's financial instruments are shown in the table below:

(Dollars in Millions)	September 30, 2018					December 31, 2017				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Financial Assets										
Cash and due from banks	\$ 20,082	\$20,082	\$ —	\$ —	\$ 20,082	\$ 19,505	\$19,505	\$ —	\$ —	\$ 19,505
Federal funds sold and securities purchased under resale agreements	278	—	278	—	278	93	—	93	—	93
Investment securities held-to-maturity	46,046	4,505	39,815	12	44,332	44,362	4,613	39,095	15	43,723
Loans held for sale (a)	1,305	—	—	1,305	1,305	20	—	—	20	20
Loans	277,507	—	—	280,398	280,398	276,507	—	—	279,391	279,391
Other	2,313	—	1,198	1,115	2,313	2,393	—	1,037	1,364	2,401
Financial Liabilities										
Time deposits	38,935	—	38,605	—	38,605	33,356	—	33,120	—	33,120
Short-term borrowings (b)	22,612	—	22,369	—	22,369	15,656	—	15,447	—	15,447
Long-term debt	40,894	—	40,259	—	40,259	32,259	—	32,377	—	32,377
Other	2,003	—	—	2,003	2,003	1,556	—	—	1,556	1,556

(a) Excludes mortgages held for sale for which the fair value option under applicable accounting guidance was elected.

(b) Excludes the Company's obligation on securities sold short required to be accounted for at fair value per applicable accounting guidance.

The fair value of unfunded commitments, deferred non-yield related loan fees, standby letters of credit and other guarantees is approximately equal to their carrying value. The carrying value of unfunded commitments, deferred non-yield related loan fees and standby letters of credit was \$536 million and \$555 million at September 30, 2018 and December 31, 2017, respectively. The carrying value of other guarantees was \$224 million and \$192 million at September 30, 2018 and December 31, 2017, respectively.

Note 15 Guarantees and Contingent Liabilities

Visa Restructuring and Card Association Litigation The Company's payment services business issues credit and debit cards and acquires credit and debit card transactions through the Visa U.S.A. Inc. card association or its affiliates (collectively "Visa"). In 2007, Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members in contemplation of its initial public offering ("IPO") completed in the first quarter of 2008 (the "Visa Reorganization"). As a part of the Visa Reorganization, the Company received its proportionate number of shares of Visa Inc. common stock, which were subsequently converted to Class B shares of Visa Inc. ("Class B shares").

Visa U.S.A. Inc. ("Visa U.S.A.") and MasterCard International (collectively, the "Card Associations") are defendants in antitrust lawsuits challenging the practices of the Card Associations (the "Visa Litigation"). Visa U.S.A. member banks have a contingent obligation to indemnify Visa Inc. under the Visa U.S.A. bylaws (which were modified at the time of the restructuring in October 2007) for potential losses arising from the Visa Litigation. The indemnification by the Visa U.S.A. member banks has no specific maximum amount. Using proceeds from its IPO and through reductions to the conversion ratio applicable to the Class B shares held by Visa U.S.A. member banks, Visa Inc. has funded an escrow account for the benefit of member financial institutions to fund their indemnification obligations associated with the Visa Litigation. The receivable related to the escrow account is classified in other liabilities as a direct offset to the related Visa Litigation contingent liability.

In October 2012, Visa signed a settlement agreement to resolve class action claims associated with the multi-district interchange litigation pending in the United States District Court for the Eastern District of New York (the "Multi-District Litigation"). The U.S. Court of Appeals for the Second Circuit reversed the approval of that settlement and remanded the matter to the district court. In September 2018, Visa signed a new settlement agreement, superseding the original settlement agreement, to resolve class action claims associated with the Multi-District Litigation. The new settlement is still subject to court approval. In conjunction with the new settlement agreement, the Class B conversion ratio was reduced by an insignificant amount, and there was no other impact to the Company.

During the three and nine months ended September 30, 2018, the Company sold 0.4 million and 0.9 million, respectively, of its Class B shares. Upon final settlement of the Visa Litigation, the remaining 1.8 million Class B shares held by the Company will be eligible for conversion to Class A shares of Visa Inc., which are publicly traded. The Class B shares are excluded from the Company's financial instruments disclosures included in Note 14.

Other Guarantees and Contingent Liabilities

The following table is a summary of other guarantees and contingent liabilities of the Company at September 30, 2018:

(Dollars in Millions)	Collateral Held	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	\$ —	\$ 53	\$ 10,879
Third party borrowing arrangements	—	—	12
Securities lending indemnifications	4,637	—	4,536
Asset sales	—	123	7,394 (a)
Merchant processing	568	50	106,539
Tender option bond program guarantee	2,364	—	2,333
Minimum revenue guarantees	—	—	6
Other	—	51	1,537

(a) The maximum potential future payments do not include loan sales where the Company provides standard representation and warranties to the buyer against losses related to loan underwriting documentation defects that may have existed at the time of sale that generally are identified after the occurrence of a triggering event such as delinquency. For these types of loan sales, the maximum potential future payments is generally the unpaid principal balance of loans sold measured at the end of the current reporting period. Actual losses will be significantly less than the maximum exposure, as only a fraction of loans sold will have a representation and warranty breach, and any losses on repurchase would generally be mitigated by any collateral held against the loans.

Merchant Processing 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 in the United States, Canada, Europe and Mexico through wholly-owned subsidiaries and joint ventures with other financial institutions. In the event a merchant was unable to

fulfill product or services subject to future delivery, such as airline tickets, the Company could become financially liable for refunding the purchase price of such products or services purchased through the credit card associations under the charge-back provisions. Charge-back risk related to these merchants is evaluated in a manner similar to credit risk assessments and, as such, merchant processing contracts contain various provisions to protect the Company in the event of default. At September 30, 2018, the value of airline tickets purchased to be delivered at a future date through card transactions processed by the Company was \$8.2 billion. The Company held collateral of \$452 million in escrow deposits, letters of credit and indemnities from financial institutions, and liens on various assets. In addition to specific collateral or other credit enhancements, the Company maintains a liability for its implied guarantees associated with future delivery. At September 30, 2018, the liability was \$38 million primarily related to these airline processing arrangements.

Asset Sales The Company regularly sells loans to GSEs as part of its mortgage banking activities. The Company provides customary representations and warranties to GSEs in conjunction with these sales. These representations and warranties generally require the Company to repurchase assets if it is subsequently determined that a loan did not meet specified criteria, such as a documentation deficiency or rescission of mortgage insurance. If the Company is unable to cure or refute a repurchase request, the Company is generally obligated to repurchase the loan or otherwise reimburse the counterparty for losses. At September 30, 2018, the Company had reserved \$11 million for potential losses from representation and warranty obligations, compared with \$13 million at December 31, 2017. The Company's reserve reflects management's best estimate of losses for representation and warranty obligations. The Company's repurchase reserve is modeled at the loan level, taking into consideration the individual credit quality and borrower activity that has transpired since origination. The model applies credit quality and economic risk factors to derive a probability of default and potential repurchase that are based on the Company's historical loss experience, and estimates loss severity based on expected collateral value. The Company also considers qualitative factors that may result in anticipated losses differing from historical loss trends.

As of September 30, 2018 and December 31, 2017, the Company had \$14 million and \$9 million, respectively, of unresolved representation and warranty claims from GSEs. The Company does not have a significant amount of unresolved claims from investors other than GSEs.

Litigation and Regulatory Matters

The Company is subject to various litigation and regulatory matters that arise in the ordinary course of its business. The Company establishes reserves for such matters when potential losses become probable and can be reasonably estimated. The Company believes the ultimate resolution of existing legal and regulatory matters will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, in light of the uncertainties inherent in these matters, it is possible that the ultimate resolution of one or more of these matters may have a material adverse effect on the Company's results from operations for a particular period, and future changes in circumstances or additional information could result in additional accruals or resolution in excess of established accruals, which could adversely affect the Company's results from operations, potentially materially.

Litigation Matters In the last several years, the Company and other large financial institutions have been sued in their capacity as trustee for residential mortgage-backed securities trusts. In the lawsuits brought against the Company, the investors allege that the Company's banking subsidiary, U.S. Bank National Association ("U.S. Bank"), as trustee caused them to incur substantial losses by failing to enforce loan repurchase obligations and failing to abide by appropriate standards of care after events of default allegedly occurred. The plaintiffs in these matters seek monetary damages in unspecified amounts and most also seek equitable relief.

Regulatory Matters The Company is continually subject to examinations, inquiries and investigations in areas of heightened regulatory scrutiny, such as compliance, risk management, third party risk management and consumer protection. For example, the Company is currently subject to examinations, inquiries and investigations by government agencies and bank regulators concerning mortgage-related practices, including those related to lender-placed insurance, and notices and filings in bankruptcy cases. The Company is cooperating fully with all pending examinations, inquiries and investigations, any of which could lead to administrative or legal proceedings or settlements. Remedies in these proceedings or settlements may include fines, penalties, restitution or alterations in the Company's business practices (which may increase the Company's operating expenses and decrease its revenue).

In October 2015, U.S. Bank entered into a Consent Order with the Office of the Comptroller of the Currency ("OCC") concerning deficiencies in its Bank Secrecy Act/anti-money laundering compliance program, and requiring an

ongoing review of that program. The Consent Order will remain open until the OCC determines that U.S. Bank has appropriately satisfied its requirements.

In February 2018, the Company entered into a deferred prosecution agreement (the “DPA”) with the United States Attorney’s Office in Manhattan that resolved its investigation of the Company concerning a legacy banking relationship between U.S. Bank and payday lending businesses associated with a former customer and U.S. Bank’s legacy Bank Secrecy Act/anti-money laundering compliance program. The DPA defers prosecution for a period of two years, subject to the Company’s compliance with its terms, which include ongoing efforts to implement and maintain an adequate Bank Secrecy Act/anti-money laundering compliance program. If the Company violates the DPA, its term could be extended up to an additional one year, or the Company could be subject to a prosecution or civil action based on the matters that are the subject of the DPA. In addition, the Company and certain of its affiliates entered into related regulatory settlements with the Financial Crimes Enforcement Network and the Board of Governors of the Federal Reserve System. If the Company and its affiliates fail to satisfy ongoing obligations under these regulatory settlements, which include ongoing commitments to provide resources to, and enhance, the Company’s firm-wide Bank Secrecy Act/anti-money laundering compliance program, the Company and its affiliates may be required to enter into further orders and settlements, pay additional fines or penalties, or modify their business practices (which may increase operating expenses and decrease revenue).

Outlook Due to their complex nature, it can be years before litigation and regulatory matters are resolved. The Company may be unable to develop an estimate or range of loss where matters are in early stages, there are significant factual or legal issues to be resolved, damages are unspecified or uncertain, or there is uncertainty as to a litigation class being certified or the outcome of pending motions, appeals or proceedings. For those litigation and regulatory matters where the Company has information to develop an estimate or range of loss, the Company believes the upper end of the range of reasonably possible losses in aggregate, in excess of any reserves established for matters where a loss is considered probable, will not be material to its financial condition, results of operations or cash flows. The Company’s estimates are subject to significant judgment and uncertainties, and the matters underlying the estimates will change from time to time. Actual results may vary significantly from the current estimates.

For additional information on the nature of the Company’s guarantees and contingent liabilities, refer to Note 22 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Note 16 Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to September 30, 2018 through the date the consolidated financial statements were filed with the United States Securities and Exchange Commission. Based on this evaluation, the Company has determined none of these events were required to be recognized or disclosed in the consolidated financial statements and related notes.

U.S. Bancorp

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

(Dollars in Millions) (Unaudited)	For the Three Months Ended September 30, 2018			2017			% Change Average Balances
	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	
Assets							
Investment securities	\$ 113,547	\$ 677	2.38%	\$ 111,832	\$ 591	2.11%	1.5%
Loans held for sale	3,109	36	4.64	3,935	40	4.06	(21.0)
Loans (b)							
Commercial	99,048	986	3.95	96,633	822	3.38	2.5
Commercial real estate	39,542	480	4.82	41,621	469	4.47	(5.0)
Residential mortgages	62,042	588	3.79	59,030	551	3.73	5.1
Credit card	21,774	650	11.84	20,926	608	11.53	4.1
Other retail	55,903	622	4.42	56,069	585	4.13	(.3)
Total loans, excluding covered loans	278,309	3,326	4.75	274,279	3,035	4.39	1.5
Covered loans	2,756	44	6.35	3,347	44	5.32	(17.7)
Total loans	281,065	3,370	4.76	277,626	3,079	4.41	1.2
Other earning assets	17,456	72	1.64	15,432	48	1.23	13.1
Total earning assets	415,177	4,155	3.98	408,825	3,758	3.66	1.6
Allowance for loan losses	(3,930)			(3,874)			(1.4)
Unrealized gain (loss) on investment securities	(1,686)			(113)			*
Other assets	47,355			45,792			3.4
Total assets	\$456,916			\$450,630			1.4
Liabilities and Shareholders' Equity							
Noninterest-bearing deposits	\$ 77,192			\$ 81,964			(5.8)%
Interest-bearing deposits							
Interest checking	69,330	37	.21	68,066	26	.15	1.9
Money market savings	100,688	286	1.13	105,072	176	.67	(4.2)
Savings accounts	44,848	17	.14	43,649	8	.07	2.7
Time deposits	38,063	151	1.58	36,400	83	.91	4.6
Total interest-bearing deposits	252,929	491	.77	253,187	293	.46	(.1)
Short-term borrowings	22,186	106	1.90	15,505	42	1.06	43.1
Long-term debt	39,701	277	2.77	35,544	196	2.20	11.7
Total interest-bearing liabilities	314,816	874	1.10	304,236	531	.69	3.5
Other liabilities	14,140			14,983			(5.6)
Shareholders' equity							
Preferred equity	5,714			5,419			5.4
Common equity	44,424			43,400			2.4
Total U.S. Bancorp shareholders' equity	50,138			48,819			2.7
Noncontrolling interests	630			628			.3
Total equity	50,768			49,447			2.7
Total liabilities and equity	\$456,916			\$450,630			1.4
Net interest income		\$3,281			\$3,227		
Gross interest margin			2.88%			2.97%	
Gross interest margin without taxable-equivalent increments			2.85%			2.92%	
Percent of Earning Assets							
Interest income			3.98%			3.66%	
Interest expense			.83			.52	
Net interest margin			3.15%			3.14%	
Net interest margin without taxable-equivalent increments			3.12%			3.09%	

* Not meaningful

(a) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent for 2018 and 35 percent for 2017.

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

U.S. Bancorp

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

	For the Nine Months Ended September 30						% Change Average Balances
	2018		Yields and Rates	2017		Yields and Rates	
(Dollars in Millions) (Unaudited)	Average Balances	Interest		Average Balances	Interest		
Assets							
Investment securities	\$ 113,873	\$ 1,971	2.31%	\$ 111,325	\$ 1,723	2.06%	2.3%
Loans held for sale	3,262	108	4.41	3,457	104	4.02	(5.6)
Loans (b)							
Commercial	98,295	2,785	3.79	95,347	2,297	3.22	3.1
Commercial real estate	39,918	1,379	4.62	42,437	1,335	4.20	(5.9)
Residential mortgages	61,023	1,714	3.75	58,496	1,627	3.71	4.3
Credit card	21,428	1,876	11.70	20,801	1,748	11.24	3.0
Other retail	56,135	1,808	4.31	54,835	1,677	4.09	2.4
Total loans, excluding covered loans	276,799	9,562	4.62	271,916	8,684	4.27	1.8
Covered loans	2,900	134	6.14	3,538	131	4.94	(18.0)
Total loans	279,699	9,696	4.63	275,454	8,815	4.28	1.5
Other earning assets	16,412	182	1.48	13,795	132	1.27	19.0
Total earning assets	413,246	11,957	3.86	404,031	10,774	3.56	2.3
Allowance for loan losses	(3,930)			(3,842)			(2.3)
Unrealized gain (loss) on investment securities	(1,530)			(324)			*
Other assets	47,455			46,184			2.8
Total assets	\$455,241			\$446,049			2.1
Liabilities and Shareholders' Equity							
Noninterest-bearing deposits	\$ 78,546			\$ 81,808			(4.0)%
Interest-bearing deposits							
Interest checking	69,865	95	.18	67,021	56	.11	4.2
Money market savings	102,453	744	.97	106,856	460	.58	(4.1)
Savings accounts	44,770	37	.11	43,265	24	.07	3.5
Time deposits	37,525	387	1.38	32,660	190	.78	14.9
Total interest-bearing deposits	254,613	1,263	.66	249,802	730	.39	1.9
Short-term borrowings	21,881	272	1.66	14,423	102	.94	51.7
Long-term debt	36,400	718	2.64	35,697	585	2.19	2.0
Total interest-bearing liabilities	312,894	2,253	.96	299,922	1,417	.63	4.3
Other liabilities	13,740			15,344			(10.5)
Shareholders' equity							
Preferred equity	5,518			5,514			.1
Common equity	43,915			42,828			2.5
Total U.S. Bancorp shareholders' equity	49,433			48,342			2.3
Noncontrolling interests	628			633			(.8)
Total equity	50,061			48,975			2.2
Total liabilities and equity	\$455,241			\$446,049			2.1
Net interest income		\$ 9,704			\$ 9,357		
Gross interest margin			2.90%			2.93%	
Gross interest margin without taxable-equivalent increments			2.87%			2.88%	
Percent of Earning Assets							
Interest income			3.86%			3.56%	
Interest expense			.72			.47	
Net interest margin			3.14%			3.09%	
Net interest margin without taxable-equivalent increments			3.11%			3.04%	

* Not meaningful

(a) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent for 2018 and 35 percent for 2017.

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

Part II — Other Information

Item 1. Legal Proceedings — See the information set forth in Note 15 in the Notes to Consolidated Financial Statements under Part I, Item 1 of this Report, which is incorporated herein by reference.

Item 1A. Risk Factors — There are a number of factors that may adversely affect the Company’s business, financial results or stock price. Refer to “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, for discussion of these risks.

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, Item 2 of this Report for information regarding shares repurchased by the Company during the third quarter of 2018.

Item 6. Exhibits

- 3.1 [Restated Certificate of Incorporation, as amended.](#)
- 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.](#)
- 101 Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2018, formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheet, (ii) the Consolidated Statement of Income, (iii) the Consolidated Statement of Comprehensive Income, (iv) the Consolidated Statement of Shareholders’ Equity, (v) the Consolidated Statement of Cash Flows and (vi) the Notes to Consolidated Financial Statements.

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/ C RAIG E. G IFFORD

Craig E. Gifford

Controller

(Principal Accounting Officer and Duly Authorized Officer)

Dated: November 2, 2018

EXHIBIT 12
Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Earnings			
1.	Net income attributable to U.S. Bancorp	\$ 1,815	\$ 5,240
2.	Applicable income taxes, including expense related to unrecognized tax positions	460	1,263
3.	Net income attributable to U.S. Bancorp before income taxes (1 + 2)	\$ 2,275	\$ 6,503
4.	Fixed charges:		
a.	Interest expense excluding interest on deposits*	\$ 381	\$ 983
b.	Portion of rents representative of interest and amortization of debt expense	29	87
c.	Fixed charges excluding interest on deposits (4a + 4b)	410	1,070
d.	Interest on deposits	491	1,263
e.	Fixed charges including interest on deposits (4c + 4d)	\$ 901	\$ 2,333
5.	Amortization of interest capitalized	\$ —	\$ —
6.	Earnings excluding interest on deposits (3 + 4c + 5)	2,685	7,573
7.	Earnings including interest on deposits (3 + 4e + 5)	3,176	8,836
8.	Fixed charges excluding interest on deposits (4c)	410	1,070
9.	Fixed charges including interest on deposits (4e)	901	2,333
Ratio of Earnings to Fixed Charges			
10.	Excluding interest on deposits (line 6/line 8)	6.55	7.08
11.	Including interest on deposits (line 7/line 9)	3.52	3.79

* Excludes interest expense related to unrecognized tax positions.

Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

(Dollars in Millions)		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Earnings			
1.	Net income attributable to U.S. Bancorp	\$ 1,815	\$ 5,240
2.	Applicable income taxes, including expense related to unrecognized tax positions	460	1,263
3.	Net income attributable to U.S. Bancorp before income taxes (1 + 2)	\$ 2,275	\$ 6,503
4.	Fixed charges:		
a.	Interest expense excluding interest on deposits*	\$ 381	\$ 983
b.	Portion of rents representative of interest and amortization of debt expense	29	87
c.	Fixed charges excluding interest on deposits (4a + 4b)	410	1,070
d.	Interest on deposits	491	1,263
e.	Fixed charges including interest on deposits (4c + 4d)	\$ 901	\$ 2,333
5.	Amortization of interest capitalized	\$ —	\$ —
6.	Preferred stock dividends	76	210
7.	Earnings excluding interest on deposits (3 + 4c + 5)	2,685	7,573
8.	Earnings including interest on deposits (3 + 4e + 5)	3,176	8,836
9.	Fixed charges excluding interest on deposits, and preferred stock dividends (4c+6)	486	1,280
10.	Fixed charges including interest on deposits, and preferred stock dividends (4e+6)	977	2,543
Ratio of Earnings to Fixed Charges and Preferred Dividends			
11.	Excluding interest on deposits (line 7/line 9)	5.52	5.92
12.	Including interest on deposits (line 8/line 10)	3.25	3.47

* Excludes interest expense related to unrecognized tax positions.

EXHIBIT 31.1

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

I, Andrew Cecere, 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/ A NDREW C ECERE

Andrew Cecere

Chief Executive Officer

Dated: November 2, 2018

EXHIBIT 31.2

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

I, Terrance R. Dolan, 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/ TERRANCE R. DOLAN
Terrance R. Dolan
Chief Financial Officer

Dated: November 2, 2018

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 September 30, 2018 (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/ A NDREW C ECERE

Andrew Cecere

Chief Executive Officer

Dated: November 2, 2018

/s/ T ERRANCE R. D OLAN

Terrance R. Dolan

Chief Financial Officer

Corporate Information

Executive Offices

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

Common Stock Transfer Agent and Registrar

Computershare 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:

Computershare
P.O. Box 505000
Louisville, KY 40233
Phone: 888-778-1311 or 201-680-6578 (international calls)
Internet: www.computershare.com/investor

Registered or Certified Mail:
Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202

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 Computershare's Investor Center website.

Independent Auditor

Ernst & Young LLP serves as the independent auditor for 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, Computershare.

Investor Relations Contact

Jennifer A. Thompson, CFA
Senior Vice President, Investor Relations
jen.thompson@usbank.com
Phone: 612-303-0778 or 866-775-9668

Financial Information

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

Website 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 and click on *About U.S. Bank*.

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

U.S. Bancorp Investor Relations
800 Nicollet Mall
Minneapolis, MN 55402
investorrelations@usbank.com
Phone: 866-775-9668

Media Requests

Stacey F. Wempen
Vice President, Head of Financial Communications
stacey.wempen@usbank.com
Phone: 612-303-7620

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*.

Code of Ethics

At U.S. Bancorp, our commitment to high ethical standards guides everything we do. Demonstrating this commitment through our words and actions is how each of us does the right thing every day for our customers, shareholders, communities and each other. Our style of ethical leadership is why we were named a World's Most Ethical Company in 2018 by the Ethisphere Institute.

For details about our Code of Ethics and Business Conduct, visit usbank.com and click on *About U.S. Bank* and then *Investor Relations* and then *Corporate Governance*.

Diversity and Inclusion

At U.S. Bancorp, embracing diversity and fostering inclusion are business imperatives. We view everything we do through a diversity and inclusion lens to deepen our relationships with our stakeholders: our employees, customers, shareholders and communities.

Our employees bring their whole selves to work. We respect and value each other's differences, strengths and perspectives, and we strive to reflect the communities we serve. This makes us stronger, more innovative and more responsive to our diverse customers' needs.

Equal Opportunity and 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 on abilities, not race, color, religion, national origin or ancestry, gender, age, disability, veteran status, sexual orientation, marital status, gender identity or expression, genetic information 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.

Accessibility

U.S. Bancorp is committed to providing ready access to our products and services so all of our customers, including people with disabilities, can succeed financially. To learn more, visit usbank.com and click on *Accessibility*.



U.S. Bancorp
Member FDIC



RESTATED CERTIFICATE OF INCORPORATION
OF
U.S. BANCORP

U.S. Bancorp, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

The name of the corporation is U.S. Bancorp and the name under which the corporation was originally incorporated is First Bank Stock Investment Company. The date of filing of its original Certificate of Incorporation was April 2, 1929.

This Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Section 245 of the General Corporation Law of the State of Delaware and only restates and integrates and does not further amend the provisions of the Restated Certificate of Incorporation of U.S. Bancorp as heretofore restated, amended and supplemented. There is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

The text of the Restated Certificate of Incorporation, as amended or supplemented heretofore, is hereby restated without further amendments or changes to read in its entirety as follows:

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 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.

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	Series A Non-Cumulative Perpetual Preferred Stock
Exhibit B	Series B Non-Cumulative Perpetual Preferred Stock
Exhibit C	Series C Non-Cumulative Perpetual Preferred Stock
Exhibit D	Series F Non-Cumulative Perpetual Preferred Stock
Exhibit E	Series H Non-Cumulative Perpetual Preferred Stock
Exhibit F	Series I Non-Cumulative Perpetual Preferred Stock
Exhibit G	Series J Non-Cumulative Perpetual Preferred Stock

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 2008 annual meeting of the stockholders, directors shall be elected annually for terms of one year and shall hold office until the next succeeding annual meeting. Directors elected at the 2005 annual meeting of stockholders shall hold office until the 2008 annual meeting of stockholders; directors elected at the 2006 annual meeting of stockholders shall hold office until the 2009 annual meeting of stockholders and directors elected at the 2007 annual meeting of stockholders shall hold office until the 2010 annual meeting of stockholders. 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 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 directors, and until their successors shall be elected and shall have qualified.

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 : 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 Eighth 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 Eighth 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.

IN WITNESS WHEREOF, U.S. Bancorp has caused this Restated Certificate of Incorporation to be signed by its duly authorized officer as of this 19th day of April, 2017.

U.S. BANCORP

By: /s/ Laura F. Bednarski

Laura F. Bednarski
Corporate Secretary

**CERTIFICATE OF DESIGNATIONS
OF
SERIES A NON-CUMULATIVE PERPETUAL PREFERRED STOCK**

Section 1. Designation . The designation of the series of Preferred Stock 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 increase or reduction, as the case may be, 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.

“*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.

“*Reuters Screen LIBOR01 Page*” means the display designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

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

Stock Purchase Date” means the first to occur of any January 15, April 15, July 15 and October 15, or if any such day is not a Business Day, the next Business Day, after the Remarketing Settlement Date or the Remarketing Date of a Failed Remarketing, as such terms are defined in that certain Third Supplemental Indenture, dated as of March 17, 2006, between the Corporation and Wilmington Trust Company, as successor indenture trustee, amending and supplementing that certain Junior Subordinated Indenture dated as of August 28, 2005, between the Company and Delaware Trust Company, National Association, as thereby amended from time to time.

“*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, as that rate appears on Reuters Screen LIBOR01 Page 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 Reuters Screen LIBOR01 Page, 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 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 Stock Purchase Date, 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) from the date of issuance to but not including the later of the Dividend Payment Date in April 2011 and the Stock Purchase Date at a rate *per annum* equal to 7.189%, 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 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 assets legally available therefor, and the shares of Series A Preferred Stock or Parity 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 plus any authorized, declared and unpaid dividends to all holders of Series A Preferred Stock and all holders of any 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 plus any authorized, declared and unpaid dividends of Series A 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 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 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.

(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 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 of the Series A 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 designations 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 A Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series A 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 A 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 A 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 A 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 A 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 A Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series A 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 A 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 A Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series A 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 A Preferred Stock and any other class or series of the Corporation's stock that ranks on parity with Series A 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 A 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 A Preferred Stock and any other class or series of preferred stock that ranks on parity with Series A 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 A Preferred Stock may (at the Corporation's 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 the Corporation's 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 A 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 A Preferred Stock and any other class or series of preferred stock that ranks on parity with Series A Preferred Stock as to payment of dividends, if any, for at least four consecutive Dividend Periods, then the right of the holders of Series A 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 the Corporation's 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 Series A 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 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 Designations 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, subject to the voting rights granted in Section 7(b), 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 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

OF

SERIES B NON-CUMULATIVE PERPETUAL PREFERRED STOCK

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.

CERTIFICATE OF DESIGNATION
OF
SERIES C NON-CUMULATIVE PERPETUAL PREFERRED STOCK

Section 1. Designation . The designation of the series of preferred stock shall be Series C Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series C Preferred Stock*”). Each share of Series C Preferred Stock shall be identical in all respects to every other share of Series C Preferred Stock. Series C 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 C Preferred Stock shall be five thousand (5,000). 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 C 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 C Preferred Stock.

Section 3. Definitions . As used herein with respect to Series C 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 C 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 C 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 C 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 beginning on or after January 15, 2012 and each Dividend Period thereafter, 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 C 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 C Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends .

(a) **Rate** . Holders of Series C 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 \$100,000 per share of Series C 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 C 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 C Preferred Stock will accrue on the liquidation preference of \$100,000 per share (i) to but not including the Dividend Payment Date in January 2012 at a rate *per annum* equal to 6.091%, and (ii) thereafter for each related Dividend Period at a rate *per annum* equal to Three-Month LIBOR plus 1.147%.

(b) **Non-Cumulative Dividends** . Dividends on shares of Series C Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series C 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 C 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 C 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 C 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 C 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 C 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 C Preferred Stock and any Parity Stock, all dividends declared upon shares of Series C 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 C 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 C 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 C 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 C 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 C 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 C 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, without accumulation of any undeclared dividends, to the date of liquidation. The holder of Series C 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 C Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series C 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 C 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 C 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 C Preferred Stock at the time outstanding at any time upon notice given as provided in Section 6(b) below. The redemption price for shares of Series C Preferred Stock shall be \$100,000 per share plus dividends that have been declared but not paid.

(b) Notice of Redemption . Notice of every redemption of shares of Series C 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 C 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 C Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series C Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series C 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 C Preferred Stock at the time outstanding, the shares of Series C Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series C Preferred Stock in proportion to the number of Series C 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 C 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 C 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) Special Voting Right .

(i) Voting Right . If and whenever dividends on the Series C Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series C Preferred Stock as to payment of dividends, and upon which voting rights equivalent to those granted by this Section 7(a) 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 C 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 C Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series C 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 C Preferred Stock and any other class or series of our stock that ranks on parity with Series C 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(a)(i) above, the secretary of the Corporation may, and upon the written request of any holder of Series C 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 C Preferred Stock and any other class or series of preferred stock that ranks on parity with Series C 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(a)(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 C Preferred Stock may (at our expense) call such meeting, upon notice as provided in this Section 7(a)(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(a)(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 C 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 C Preferred Stock and any other class or series of preferred stock that ranks on parity with Series C Preferred Stock as to payment of dividends, if any, for three consecutive Dividend Periods and full dividends have been paid or declared and set aside for payment for the fourth consecutive Dividend Period, then the right of the holders of Series C 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 C 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(a).

Section 8. Conversion. The holders of Series C Preferred Stock shall not have any rights to convert such Series C 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 C Preferred Stock, may authorize and issue additional shares of Junior Stock, Parity Stock or, subject to the voting rights granted in Section 7(a), any class of securities ranking senior to the Series C 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 C 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 C 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 C Preferred Stock are not subject to the operation of a sinking fund.

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

Section 1. Designation . The designation of the series of preferred stock shall be Series F Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series F Preferred Stock*”). Each share of Series F Preferred Stock shall be identical in all respects to every other share of Series F Preferred Stock. Series F 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 F Preferred Stock shall be 44,000. 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 F 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 F Preferred Stock.

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

“*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

“*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.

“*Committee*” means the Risk Management Committee of the Board of Directors of the Corporation, or any successor committee thereto.

“*Corporation*” means U.S. Bancorp.

“*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 F 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 parity with Series F 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(c)(i) hereof.

“*Redemption Price*” shall have the meaning set forth in Section 6(a) hereof.

“*Regulatory Capital Treatment Event*” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series F Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series F Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series F Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation value of the shares of Series F Preferred Stock then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System, Regulation Y, 12 CFR 225 (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series F Preferred Stock is outstanding.

“*Reuters Screen LIBOR01 Page*” means the display designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

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

“*Three-Month LIBOR*” means, with respect to any Dividend Period beginning on or after January 15, 2022, 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, as that rate appears on Reuters Screen LIBOR01 Page 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 Reuters Screen LIBOR01 Page, 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 beginning on or after January 15, 2022, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the dividend rate

been a floating rate during the period prior to January 15, 2022. 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 F Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends .

(a) Rate . Holders of Series F 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 F Preferred Stock, and no more, payable quarterly in arrears on each January 15, April 15, July 15 or 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 F 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 F Preferred Stock will accrue on the liquidation preference of \$25,000 per share (i) from the date of issuance to but not including the Dividend Payment Date on January 15, 2022 at a rate *per annum* equal to 6.50%, and (ii) thereafter for each related Dividend Period at a rate *per annum* equal to Three-Month LIBOR plus 4.468%. The record date for payment of dividends on the Series F 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 January 15, 2022 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. Notwithstanding any other provision hereof, dividends on the Series F Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause the Corporation to fail to comply with laws and regulations applicable thereto, including applicable capital adequacy guidelines.

(b) Non-Cumulative Dividends . Dividends on shares of Series F Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series F 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 F 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 F 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 F 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 F 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 F 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 F Preferred Stock and any Parity Stock, all dividends

declared upon shares of Series F 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 F 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 F 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 F Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, 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 F Preferred Stock or Parity 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 F 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 F 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 F 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 F Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series F 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 F 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 F 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 F Preferred Stock at the time outstanding, at any time on or after the Dividend Payment Date in January, 2022, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series F Preferred

Stock shall be \$25,000 per share plus dividends that have been declared but not paid (the “*Redemption Price*”). Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may redeem, at any time, all (but not less than all) of the shares of Series F Preferred Stock at the time outstanding, upon notice given as provided Subsection (b) below, at the Redemption Price applicable on such date of redemption.

(b) Notice of Redemption . Notice of every redemption of shares of Series F 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 F 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 F Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series F Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series F 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 F Preferred Stock at the time outstanding, the shares of Series F Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series F Preferred Stock in proportion to the number of Series F 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 F 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 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 F 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 of the Series F 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 designations 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 F Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series F 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 F 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 F 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 F 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 F 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 F Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series F 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 F 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 F Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series F 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 F Preferred Stock and any other class or series of the Corporation's stock that ranks on parity with Series F 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 F 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 F Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series F 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 F Preferred Stock may (at the Corporation's 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 the Corporation's 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 F 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 F Preferred Stock and any other class or series of preferred stock that ranks on parity with Series F Preferred Stock as to payment of dividends, if any, for at least four consecutive Dividend Periods, then the right of the holders of Series F 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 the Corporation's 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 Series F 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 F Preferred Stock shall not have any rights to convert such Series F 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 Designations 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 F 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 F 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 F 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 F 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 F Preferred Stock are not subject to the operation of a sinking fund.

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

Section 1. Designation . The designation of the series of preferred stock shall be Series H Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series H Preferred Stock*”). Each share of Series H Preferred Stock shall be identical in all respects to every other share of Series H Preferred Stock. Series H 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 H Preferred Stock shall be 21,000. 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 H 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 H Preferred Stock.

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

“*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

“*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.

“*Committee*” means the Risk Management Committee of the Board of Directors of the Corporation, or any successor committee thereto.

“*Corporation*” means U.S. Bancorp.

“*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 H 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.

“*Parity Stock*” means any other class or series of stock of the Corporation that ranks on a parity with Series H 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(c)(i) hereof.

“*Redemption Price*” shall have the meaning set forth in Section 6(a) hereof.

“*Regulatory Capital Treatment Event*” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series H Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series H Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series H Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation value of the shares of Series H Preferred Stock then outstanding as “tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series H Preferred Stock is outstanding.

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

Section 4. Dividends .

(a) **Rate .** Holders of Series H 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 H 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 H 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 H Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate *per annum* equal to 5.15%. The record date for payment of dividends on the Series H 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 consisting of twelve 30-day months. Notwithstanding any other provision hereof, dividends on the Series H Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause the Corporation to fail to comply with laws and regulations applicable thereto, including applicable capital adequacy guidelines.

(b) **Non-Cumulative Dividends .** Dividends on shares of Series H Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series H 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 H 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 H 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 H 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 H 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 H 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 H Preferred Stock and any Parity Stock, all dividends declared upon shares of Series H 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 H 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 H 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 H Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, 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 H Preferred Stock or Parity 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 H 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 H 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 H 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 H Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series H 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 H 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 H 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 H Preferred Stock at the time outstanding, at any time on or after July 15, 2018, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series H Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid (the “*Redemption Price*”). Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may provide notice of its intent to redeem as provided in Subsection (b) below, and subsequently redeem, all (but not less than all) of the shares of Series H Preferred Stock at the time outstanding, at the Redemption Price applicable on such date of redemption.

(b) Notice of Redemption . Notice of every redemption of shares of Series H 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 H 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 H Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series H Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series H 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 H Preferred Stock at the time outstanding, the shares of Series H Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series H Preferred Stock in proportion to the number of Series H 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 H 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 H 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 of the Series H 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 designations 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 H Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series H 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 H 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 H 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 H 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 H 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 H Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series H 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 H 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 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 H Preferred Stock and any other class or series of preferred

stock that ranks on parity with the Series H 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 H Preferred Stock and any other class or series of the Corporation’s stock that ranks on parity with Series H 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 H 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 H Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series H 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 H Preferred Stock may (at the Corporation’s 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 the Corporation’s 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 H 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 H Preferred Stock and any other class or series of preferred stock that ranks on parity with Series H Preferred Stock as to payment of dividends, if any, for at least four consecutive Dividend Periods, then the right of the holders of Series H 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 the Corporation’s 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 Series H 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 H Preferred Stock shall not have any rights to convert such Series H 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 Designations 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 H 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 H 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 H 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 H 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 H Preferred Stock are not subject to the operation of a sinking fund.

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

Section 1. Designation . The designation of the series of preferred stock shall be Series I Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series I Preferred Stock*”). Each share of Series I Preferred Stock shall be identical in all respects to every other share of Series I Preferred Stock. Series I 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 I Preferred Stock shall be 30,000. 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 I 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 I Preferred Stock.

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

“*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

“*Business Day*” means, for Dividend Periods prior to January 15, 2021, 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, and for Dividend Periods on and after January 15, 2021, it means any date that would be considered a Business Day for Dividend Periods prior to January 15, 2021 that is also a London Banking Day.

“*Committee*” means the Risk Management Committee of the Board of Directors of the Corporation, or any successor committee thereto.

“*Corporation*” means U.S. Bancorp.

“*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 I 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 parity with Series I 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(c)(i) hereof.

“*Redemption Price*” shall have the meaning set forth in Section 6(a) hereof.

“*Regulatory Capital Treatment Event*” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series I Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series I Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series I Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation value of the shares of Series I Preferred Stock then outstanding as “additional tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series I Preferred Stock is outstanding.

“*Reuters Screen LIBOR01 Page*” means the display designated on the Reuters 3000 Xtra (or such other page as may replace that page on that service or such other service as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

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

“*Three-Month LIBOR*” means, with respect to any Dividend Period beginning on or after January 15, 2021, 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, as that rate appears on Reuters Screen LIBOR01 Page 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 Reuters Screen LIBOR01 Page, 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 beginning on or after January 15, 2021, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the dividend rate

been a floating rate during the period prior to January 15, 2021. 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 I Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends .

(a) Rate . Holders of Series I 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 I Preferred Stock, and no more, (i) from the date of issuance to, but excluding, January 15, 2021, at a rate *per annum* equal to 5.125%, payable semi-annually in arrears on each January 15 and July 15, commencing on January 15, 2016 through, and including, January 15, 2021, and (ii) from, and including, January 15, 2021, at a floating rate *per annum* equal to Three-Month LIBOR plus a spread of 3.486%, payable quarterly in arrears on each January 15, April 15, July 15 and October 15, commencing on April 15, 2021; *provided, however*, if any date on or prior to January 15, 2021 on which dividends otherwise would be payable 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, and if any date after January 15, 2021 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “*Dividend Payment Date*”). The period from and including the date of issuance of the Series I Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “*Dividend Period*.” The record date for payment of dividends on the Series I 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 January 15, 2021 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. Notwithstanding any other provision hereof, dividends on the Series I Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause the Corporation to fail to comply with laws and regulations applicable thereto, including applicable capital adequacy guidelines.

(b) Non-Cumulative Dividends . Dividends on shares of Series I Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series I 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 I 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 I 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 I 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 I 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 I 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 I Preferred Stock and any Parity Stock, all dividends declared upon shares of Series I 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 I 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 I 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 I Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, 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 I Preferred Stock or Parity 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 I 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 I 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 I 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 I Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series I 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 I 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 I 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 I Preferred Stock at the time outstanding, at any time on or after January 15, 2021, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series I Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid (the “*Redemption Price*”). Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may provide notice of its intent to redeem as provided in Section 6(b) below, and subsequently redeem, all (but not less than all) of the shares of Series I Preferred Stock at the time outstanding, at the Redemption Price applicable on such date of redemption.

(b) **Notice of Redemption** . Notice of every redemption of shares of Series I 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 I 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 I Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series I Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series I 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 I Preferred Stock at the time outstanding, the shares of Series I Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series I Preferred Stock in proportion to the number of Series I 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 I 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 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 I 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 of the Series I 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 designations 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 I Preferred Stock, taken as a whole; *provided, however* , that any increase in the amount of the authorized or issued Series I 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 I 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 I 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 I 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 I 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 I Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series I 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 I 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 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 I Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series I 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 I Preferred Stock and any other class or series of the Corporation's stock that ranks on parity with Series I 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 I 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 I Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series I 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 I Preferred Stock may (at the Corporation's 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 the Corporation's 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 I 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 I Preferred Stock and any other class or series of preferred stock that ranks on parity with Series I Preferred Stock as to payment of dividends, if any, for at least four consecutive Dividend Periods, then the right of the holders of Series I 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 the Corporation's 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 Series I 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 I Preferred Stock shall not have any rights to convert such Series I 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 Designations 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 I 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 I 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 I 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 I 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 I Preferred Stock are not subject to the operation of a sinking fund.

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

Section 1. Designation . The designation of the series of preferred stock shall be Series J Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series J Preferred Stock*”). Each share of Series J Preferred Stock shall be identical in all respects to every other share of Series J Preferred Stock. Series J 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 J 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 J 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 J Preferred Stock.

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

“*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

“*Business Day*” means, for Dividend Periods prior to April 15, 2027, 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, and for Dividend Periods on and after April 15, 2027, any date that would be considered a Business Day for Dividend Periods prior to April 15, 2027 that is also a London Banking Day.

“*Committee*” means the Capital Planning Committee of the Board of Directors of the Corporation, or any successor committee thereto.

“*Corporation*” means U.S. Bancorp.

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

“*Designated LIBOR Page*” means the display on Bloomberg Page BBAM (or any successor or substitute page of such service, or any successor to such service selected by the Corporation), for the purpose of displaying the London interbank offered rates for U.S. dollars.

“*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 J 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 parity with Series J 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(c)(i) hereof.

“ *Redemption Price* ” shall have the meaning set forth in Section 6(a) hereof.

“ *Regulatory Capital Treatment Event* ” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series J Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series J Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series J Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation value of the shares of Series J Preferred Stock then outstanding as “additional tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series J Preferred Stock is outstanding.

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

“ *Three-Month LIBOR* ” means, with respect to any Dividend Period beginning on or after April 15, 2027, 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, as that rate appears on the Designated LIBOR Page 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 the Designated LIBOR Page, 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 beginning on or after April 15, 2027, the most recent rate that could have been determined in accordance with the first sentence of this paragraph had the dividend rate been a floating rate during the period prior to April 15, 2027. 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 J Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends .

(a) Rate . Holders of Series J 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 J Preferred Stock, and no more, (i) from the date of issuance to, but excluding, April 15, 2027, at a rate *per annum* equal to 5.300%, payable semi-annually in arrears on each April 15 and October 15, commencing on April 15, 2017 through, and including, April 15, 2027, and (ii) from, and including, April 15, 2027, at a floating rate *per annum* equal to Three-Month LIBOR plus a spread of 2.914%, payable quarterly in arrears on each January 15, April 15, July 15 and October 15, commencing on July 15, 2027; *provided* , *however* , if any date on or prior to April 15, 2027 on which dividends otherwise would be payable 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, and if any date after April 15, 2027 on which dividends otherwise would be payable is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding Business Day unless that day falls in the next calendar month, in which case payment of any dividend otherwise payable on that date will be the immediately preceding Business Day, and dividends will accrue to the actual payment date (each such day on which dividends are payable a “ *Dividend Payment Date* ”). The period from and including the date of issuance of the Series J Preferred Stock or any Dividend Payment Date to but excluding the next Dividend Payment Date is a “ *Dividend Period* .” The record date for payment of dividends on the Series J 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 April 15, 2027 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. Notwithstanding any other provision hereof, dividends on the Series J Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause the Corporation to fail to comply with laws and regulations applicable thereto, including applicable capital adequacy guidelines.

(b) Non-Cumulative Dividends . Dividends on shares of Series J Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series J 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 J 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 J 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 J 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 J 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 J 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 J Preferred Stock and any Parity Stock, all dividends declared upon shares of Series J 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 J 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 J 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 J Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, 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 J Preferred Stock or Parity 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 J 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 J 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 J 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 J Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series J 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 J 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 J 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 J Preferred Stock at the time outstanding, at any time on or after April 15, 2027, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series J Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid (the “*Redemption Price*”). Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may provide notice of its intent to redeem as provided in Section 6(b) below, and subsequently redeem, all (but not less than all) of the shares of Series J Preferred Stock at the time outstanding, at the Redemption Price applicable on such date of redemption.

(b) **Notice of Redemption** . Notice of every redemption of shares of Series J 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 J 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 J Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series J Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series J 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 J Preferred Stock at the time outstanding, the shares of Series J Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series J Preferred Stock in proportion to the number of Series J 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 J 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 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 J 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 of the Series J 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 designations 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 J Preferred Stock, taken as a whole; *provided, however* , that any increase in the amount of the authorized or issued Series J 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 J 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 J 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 J 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 J 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 J Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series J 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) or their equivalent, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series J 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 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 J Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series J 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 J Preferred Stock and any other class or series of the Corporation's stock that ranks on parity with Series J 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 J 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 J Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series J 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 J Preferred Stock may (at the Corporation's 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 the Corporation's 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 J 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 J Preferred Stock and any other class or series of preferred stock that ranks on parity with Series J Preferred Stock as to payment of dividends, if any, for at least four consecutive quarterly Dividend Periods or their equivalent, then the right of the holders of Series J 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 the Corporation's 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 Series J 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 J Preferred Stock shall not have any rights to convert such Series J 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 Designations 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 J 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 J 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 J 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 J 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 J Preferred Stock are not subject to the operation of a sinking fund.

* * * * *

[As filed with the Delaware Secretary of State on January 19, 2017]

G-8

**CERTIFICATE OF DESIGNATIONS
OF
SERIES K 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 July 16, 2018, the Capital Planning Committee (the “*Committee*”) of the Board of Directors of the Corporation (the “*Board*”), pursuant to authority conferred upon the Committee by the Board and by Section 141(c)(2) and (3) of the General Corporation Law of the State of Delaware, duly adopted resolutions establishing the terms of the Corporation’s Series K Non-Cumulative Perpetual Preferred Stock, \$1.00 par value (the “*Series K Preferred Stock*”), and authorized a sub-committee of the Committee (the “*Subcommittee*”) to act on behalf of the Committee in establishing the liquidation preference, dividend rate, optional redemption date, number of authorized shares and certain other terms of the Series K Preferred Stock.
2. Thereafter, on August 7, 2018, the Subcommittee duly adopted the following resolution by written consent:

“**NOW, THEREFORE, BE IT RESOLVED**, that the Subcommittee hereby establishes the Series K Preferred Stock, with the designations, and certain other preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Series K Preferred Stock as are 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 13th day of August, 2018.

U.S. Bancorp

By: /s/ Terrance R. Dolan

Name: Terrance R. Dolan

Title: Vice Chairman and Chief Financial Officer

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

Section 1. Designation . The designation of the series of preferred stock shall be Series K Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series K Preferred Stock*”). Each share of Series K Preferred Stock shall be identical in all respects to every other share of Series K Preferred Stock. Series K 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 K Preferred Stock shall be 23,000. 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 K 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 K Preferred Stock.

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

“*Appropriate Federal Banking Agency*” means the “appropriate Federal banking agency” with respect to the Corporation as defined in Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. Section 1813(q)), or any successor provision.

“*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.

“*Committee*” means the Capital Planning Committee of the Board of Directors of the Corporation, or any successor committee thereto.

“*Corporation*” means U.S. Bancorp.

“*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 K 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.

“*Parity Stock*” means any other class or series of stock of the Corporation that ranks on a parity with Series K 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(c)(i) hereof.

“ *Redemption Price* ” shall have the meaning set forth in Section 6(a) hereof.

“ *Regulatory Capital Treatment Event* ” means the good faith determination by the Corporation that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of Series K Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series K Preferred Stock, or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Series K Preferred Stock, there is more than an insubstantial risk that the Corporation will not be entitled to treat the full liquidation value of the shares of Series K Preferred Stock then outstanding as “additional tier 1 capital” (or its equivalent) for purposes of the capital adequacy guidelines of the Board of Governors of the Federal Reserve System (or, as and if applicable, the capital adequacy guidelines or regulations of any successor Appropriate Federal Banking Agency), as then in effect and applicable, for as long as any share of Series K Preferred Stock is outstanding.

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

Section 4. Dividends .

(a) Rate . Holders of Series K 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 K Preferred Stock, and no more, payable quarterly in arrears on the 15th day of each January, April, July and October, commencing on October 15, 2018; *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 K 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 K Preferred Stock will accrue on the liquidation preference of \$25,000 per share at a rate per annum equal to 5.50%. The record date for payment of dividends on the Series K 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 consisting of twelve 30-day months. Notwithstanding any other provision hereof, dividends on the Series K Preferred Stock shall not be declared, paid or set aside for payment to the extent such act would cause the Corporation to fail to comply with laws and regulations applicable thereto, including applicable capital adequacy guidelines.

(b) Non-Cumulative Dividends . Dividends on shares of Series K Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series K 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 K 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 K 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 K 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 K 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 K 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 K Preferred Stock and any Parity Stock, all dividends declared upon shares of Series K 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 K 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 K 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 K Preferred Stock prior to such date. Subject to the foregoing, and not otherwise, 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 K Preferred Stock or Parity 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 K 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 K 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 K 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 K Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series K 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 K Preferred Stock and all such Parity Stock.

(c) Residual Distributions . If the liquidation preference plus any authorized, declared and unpaid dividends have been paid in full to all holders of Series K 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 to be 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 K Preferred Stock at the time outstanding, at any time on or after October 15, 2023, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series K Preferred Stock shall be \$25,000 per share plus dividends that have been declared but not paid (the “*Redemption Price*”). Notwithstanding the foregoing, within 90 days following the occurrence of a Regulatory Capital Treatment Event, the Corporation, at its option, subject to the approval of the Appropriate Federal Banking Agency, may provide notice of its intent to redeem as provided in Section 6(b) below, and subsequently redeem, all (but not less than all) of the shares of Series K Preferred Stock at the time outstanding, at the Redemption Price applicable on such date of redemption.

(b) Notice of Redemption . Notice of every redemption of shares of Series K 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 K 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 K Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series K Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series K 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 K Preferred Stock at the time outstanding, the shares of Series K Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series K Preferred Stock in proportion to the number of Series K 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 K 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 K 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 of the Series K 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 designations 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 K Preferred Stock, taken as a whole; *provided, however* , that any increase in the amount of the authorized or issued Series K 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 K 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 K 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 K 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 K 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 K Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series K 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) or their equivalent, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Series K 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 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 K Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series K 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 K Preferred Stock and any other class or series of the Corporation’s stock that ranks on parity with Series K 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 K 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 K Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series K 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 K Preferred Stock may (at the Corporation’s 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 the Corporation’s 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 K 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 K Preferred Stock and any other class or series of preferred stock that ranks on parity with Series K Preferred Stock as to payment of dividends, if any, for at least four consecutive quarterly Dividend Periods or their equivalent, then the right of the holders of Series K 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 the Corporation’s 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 Series K 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 K Preferred Stock shall not have any rights to convert such Series K 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 Designations 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 K 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 K 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 K 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 K 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 K Preferred Stock are not subject to the operation of a sinking fund.

* * * * *

[As filed with the Delaware Secretary of State on August 13, 2018]

EXHIBIT 12
Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Earnings			
1.	Net income attributable to U.S. Bancorp	\$ 1,815	\$ 5,240
2.	Applicable income taxes, including expense related to unrecognized tax positions	460	1,263
3.	Net income attributable to U.S. Bancorp before income taxes (1 + 2)	\$ 2,275	\$ 6,503
4.	Fixed charges:		
a.	Interest expense excluding interest on deposits*	\$ 381	\$ 983
b.	Portion of rents representative of interest and amortization of debt expense	29	87
c.	Fixed charges excluding interest on deposits (4a + 4b)	410	1,070
d.	Interest on deposits	491	1,263
e.	Fixed charges including interest on deposits (4c + 4d)	\$ 901	\$ 2,333
5.	Amortization of interest capitalized	\$ —	\$ —
6.	Earnings excluding interest on deposits (3 + 4c + 5)	2,685	7,573
7.	Earnings including interest on deposits (3 + 4e + 5)	3,176	8,836
8.	Fixed charges excluding interest on deposits (4c)	410	1,070
9.	Fixed charges including interest on deposits (4e)	901	2,333
Ratio of Earnings to Fixed Charges			
10.	Excluding interest on deposits (line 6/line 8)	6.55	7.08
11.	Including interest on deposits (line 7/line 9)	3.52	3.79

* Excludes interest expense related to unrecognized tax positions.

Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

(Dollars in Millions)		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Earnings			
1.	Net income attributable to U.S. Bancorp	\$ 1,815	\$ 5,240
2.	Applicable income taxes, including expense related to unrecognized tax positions	460	1,263
3.	Net income attributable to U.S. Bancorp before income taxes (1 + 2)	\$ 2,275	\$ 6,503
4.	Fixed charges:		
a.	Interest expense excluding interest on deposits*	\$ 381	\$ 983
b.	Portion of rents representative of interest and amortization of debt expense	29	87
c.	Fixed charges excluding interest on deposits (4a + 4b)	410	1,070
d.	Interest on deposits	491	1,263
e.	Fixed charges including interest on deposits (4c + 4d)	\$ 901	\$ 2,333
5.	Amortization of interest capitalized	\$ —	\$ —
6.	Preferred stock dividends	76	210
7.	Earnings excluding interest on deposits (3 + 4c + 5)	2,685	7,573
8.	Earnings including interest on deposits (3 + 4e + 5)	3,176	8,836
9.	Fixed charges excluding interest on deposits, and preferred stock dividends (4c+6)	486	1,280
10.	Fixed charges including interest on deposits, and preferred stock dividends (4e+6)	977	2,543
Ratio of Earnings to Fixed Charges and Preferred Dividends			
11.	Excluding interest on deposits (line 7/line 9)	5.52	5.92
12.	Including interest on deposits (line 8/line 10)	3.25	3.47

* Excludes interest expense related to unrecognized tax positions.

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

I, Andrew Cecere, 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/ ANDREW C ECERE

Andrew Cecere

Chief Executive Officer

Dated: November 2, 2018

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

I, Terrance R. Dolan, 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/ TERRANCE R. DOLAN

Terrance R. Dolan

Chief Financial Officer

Dated: November 2, 2018

**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 September 30, 2018 (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/ A NDREW C ECERE

Andrew Cecere
Chief Executive Officer

Dated: November 2, 2018

/s/ T ERRANCE R. D OLAN

Terrance R. Dolan
Chief Financial Officer