

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2016

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) (Zip Code)
(651) 466-3000

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value per share	New York Stock Exchange
Depository Shares (each representing 1/100th interest in a share of Series A Non-Cumulative Perpetual Preferred Stock, par value \$1.00)	New York Stock Exchange
Depository Shares (each representing 1/1,000th interest in a share of Series B Non-Cumulative Perpetual Preferred Stock, par value \$1.00)	New York Stock Exchange
Depository Shares (each representing 1/1,000th interest in a share of Series F Non-Cumulative Perpetual Preferred Stock, par value \$1.00)	New York Stock Exchange
Depository Shares (each representing 1/1,000th interest in a share of Series G Non-Cumulative Perpetual Preferred Stock, par value \$1.00)	New York Stock Exchange
Depository Shares (each representing 1/1,000th interest in a share of Series H Non-Cumulative Perpetual Preferred Stock, par value \$1.00)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (or for such shorter period that the registrant was required to file such reports), 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$69.3 billion based on the closing sale price as reported on the New York Stock Exchange.

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

<u>Class</u>	<u>Outstanding at January 31, 2017</u>
Common Stock, \$.01 par value per share	1,694,070,891

DOCUMENTS INCORPORATED BY REFERENCE

<u>Document</u>	<u>Parts Into Which Incorporated</u>
1. Portions of the Annual Report to Shareholders for the Fiscal Year Ended December 31, 2016 (2016 Annual Report)	Parts I and II
2. Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held April 18, 2017 (Proxy Statement)	Part III

Item 1. Business

Forward-Looking Statements

THE FOLLOWING INFORMATION APPEARS IN ACCORDANCE WITH THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This report contains forward-looking statements about U.S. Bancorp (“U.S. Bancorp” or the “Company”). 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. A reversal or slowing of the current economic recovery or another severe contraction could adversely affect U.S. Bancorp’s revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market 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 deterioration in general business and economic conditions; 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 securities held in its investment securities portfolio; legal and regulatory developments; litigation; increased competition from both banks and non-banks; 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 the sections entitled “Corporate Risk Profile” on pages 38 – 60 and “Risk Factors” on pages 148 – 157 of the Company’s 2016 Annual Report. 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.

General Business Description

U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. U.S. Bancorp was incorporated in Delaware in 1929 and operates as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. U.S. Bancorp provides a full range of financial services, including lending and depository services, cash management, capital markets, and trust and investment management services. It also engages in credit card services, merchant and ATM processing, mortgage banking, insurance, brokerage and leasing.

U.S. Bancorp’s banking subsidiary, U.S. Bank National Association, is engaged in the general banking business, principally in domestic markets. U.S. Bank National Association, with \$343 billion in deposits at December 31, 2016, provides a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within the Company’s domestic markets, to domestic customers with foreign operations and to large national customers operating in specific industries targeted by the Company. Lending services include traditional credit products as well as credit card services, lease financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking

accounts, savings accounts and time certificate contracts. Ancillary services such as capital markets, treasury management and receivable lock-box collection are provided to corporate customers. U.S. Bancorp's bank and trust subsidiaries provide a full range of asset management and fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

Other U.S. Bancorp non-banking subsidiaries offer investment and insurance products to the Company's customers principally within its markets, and fund administration services to a broad range of mutual and other funds.

Banking and investment services are provided through a network of 3,106 banking offices principally operating in the Midwest and West regions of the United States, through on-line services and over mobile devices. The Company operates a network of 4,842 ATMs and provides 24-hour, seven day a week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout the Company's markets. Lending products may be originated through banking offices, indirect correspondents, brokers or other lending sources. The Company is also one of the largest providers of corporate and purchasing card services and corporate trust services in the United States. A wholly-owned subsidiary, Elavon, Inc. ("Elavon"), provides merchant processing services directly to merchants and through a network of banking affiliations. Wholly-owned subsidiaries, and affiliates of Elavon, provide similar merchant services in Canada, Mexico and segments of Europe directly or through joint ventures with other financial institutions. The Company also provides corporate trust and fund administration services in Europe. These foreign operations are not significant to the Company.

On a full-time equivalent basis, as of December 31, 2016, U.S. Bancorp employed 71,191 people.

Competition

The commercial banking business is highly competitive. The Company competes with other commercial banks, savings and loan associations, mutual savings banks, finance companies, mortgage banking companies, credit unions, investment companies, credit card companies and a variety of other financial services, advisory and technology companies. In recent years, competition has increased from institutions not subject to the same regulatory restrictions as domestic banks and bank holding companies. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates on loans and deposits, lending limits and customer convenience. The Company's ability to continue to compete effectively also depends in large part on its ability to attract new employees and retain and motivate existing employees, while managing compensation and other costs.

Government Policies

The operations of the Company's various operating units are affected by federal and state legislative changes and by policies of various regulatory authorities, including those of the numerous states in which they operate, the United States and foreign governments. These policies include, for example, statutory maximum legal lending rates, domestic monetary policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), United States fiscal policy, international currency regulations and monetary policies and capital adequacy and liquidity constraints imposed by bank regulatory agencies.

Supervision and Regulation

U.S. Bancorp and its subsidiaries are subject to the extensive regulatory framework applicable to bank holding companies and their subsidiaries. This regulatory framework is intended primarily for the protection of depositors, the deposit insurance fund of the Federal Deposit Insurance Corporation (the "FDIC"), consumers, the stability of the financial system in the United States, and the health of the national economy, and not for investors in bank holding companies such as the Company.

This section summarizes certain provisions of the principal laws and regulations applicable to the Company and its subsidiaries. The descriptions are not intended to be complete and are qualified in their entirety by reference to the full text of the statutes and regulations described below.

General As a bank holding company, the Company is subject to regulation under the Bank Holding Company Act (the “BHC Act”) and to inspection, examination and supervision by the Board of Governors of the Federal Reserve System (the “Federal Reserve”). U.S. Bank National Association and its subsidiaries, are subject to regulation and examination primarily by the Office of the Comptroller of the Currency (the “OCC”) and also by the FDIC, the Federal Reserve, the Consumer Financial Protection Bureau (the “CFPB”), the Securities and Exchange Commission (the “SEC”) and the Commodities Futures Trading Commission (the “CFTC”) in certain areas.

Supervision and regulation by the responsible regulatory agency generally include comprehensive annual reviews of all major aspects of a bank’s business and condition, and imposition of periodic reporting requirements and limitations on investments and certain types of activities. U.S. Bank National Association, the Company and the Company’s non-bank affiliates must undergo regular on-site examinations by the appropriate regulatory agency, which examine for adherence to a range of legal and regulatory compliance responsibilities. If they deem the Company to be operating in a manner that is inconsistent with safe and sound banking practices, the applicable regulatory agencies can require the entry into informal or formal supervisory agreements, including board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders, pursuant to which the Company would be required to take identified corrective actions to address cited concerns and to refrain from taking certain actions.

Dodd-Frank Act Substantial changes to the regulation of bank holding companies and their subsidiaries have occurred and will continue to occur as a result of the enactment in 2010 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Changes in applicable law or regulation, and in their application by regulatory agencies, have had and will continue to have a material effect on the business and results of the Company and its subsidiaries.

The Dodd-Frank Act significantly changed the regulatory framework for financial services companies, and since its enactment has required significant rulemaking and numerous studies and reports that will continue over the next several years. Among other things, it created a new Financial Stability Oversight Council (the “Council”) with broad authority to make recommendations covering enhanced prudential standards and more stringent supervision for large bank holding companies and certain non-bank financial services companies. The Dodd-Frank Act significantly reduced interchange fees on debit card transactions, changed the preemption of state laws applicable to national banks, increased the regulation of consumer mortgage banking and made numerous other changes, some of which are discussed below.

In addition to the Dodd-Frank Act, other legislative and regulatory proposals affecting banks have been made in recent years both domestically and internationally. Among other things, these proposals include significant additional capital and liquidity requirements and limitations on the size or types of activity in which banks may engage.

Bank Holding Company Activities The Company elected to become a financial holding company as of March 13, 2000, pursuant to the provisions of the Gramm-Leach-Bliley Act (the “GLBA”). Under the GLBA, qualifying bank holding companies may engage in, and affiliate with financial companies engaging in, a broader range of activities than would otherwise be permitted for a bank holding company. Under the GLBA’s system of functional regulation, the Federal Reserve acts as an umbrella regulator for the Company, and certain of the Company’s subsidiaries are regulated directly by additional agencies based on the particular activities of those subsidiaries.

If a financial holding company or a depository institution controlled by a financial holding company ceases to meet certain capital or management standards, the Federal Reserve may impose corrective capital and

managerial requirements on the financial holding company, and may place limitations on its ability to conduct all of the business activities that financial holding companies are generally permitted to conduct. See “Permissible Business Activities” below. If the failure to meet these standards persists, a financial holding company may be required to divest its depository institution subsidiaries, or cease all activities other than those activities that may be conducted by bank holding companies that are not financial holding companies. In addition, the Federal Reserve requires bank holding companies to meet certain applicable capital and management standards. Failure by the Company to meet these standards could limit the Company from engaging in any new activity or acquiring other companies without the prior approval of the Federal Reserve.

Federal Reserve regulations also provide that, if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community Reinvestment Act (“CRA”), the Federal Reserve must prohibit the financial holding company and its subsidiaries from engaging in the additional activities in which only financial holding companies may engage. See “Community Reinvestment Act” below.

U.S. Bank National Association received a “Satisfactory” CRA rating in its most recent examination, covering the period from January 1, 2009 through December 31, 2011. The OCC has scheduled a CRA examination in 2017.

Source of Strength The Dodd-Frank Act codified existing Federal Reserve policy requiring the Company to act as a source of financial strength to U.S. Bank National Association, and to commit resources to support this subsidiary in circumstances where it might not otherwise do so. However, because the GLBA provides for functional regulation of financial holding company activities by various regulators, the GLBA prohibits the Federal Reserve from requiring payment by a holding company to a depository institution if the functional regulator of the depository institution objects to the payment. In those cases, the Federal Reserve could instead require the divestiture of the depository institution and impose operating restrictions pending the divestiture. As a result of the Dodd-Frank Act, non-bank subsidiaries of a holding company that engage in activities permissible for an insured depository institution must be examined and regulated in a manner that is at least as stringent as if the activities were conducted by the lead depository institution of the holding company.

Enhanced Prudential Standards In March 2014, the Federal Reserve finalized a rule relating to enhanced prudential standards required under the Dodd-Frank Act for bank holding companies with over \$50 billion in consolidated assets. The prudential standards include enhanced risk-based capital and leverage requirements, enhanced liquidity requirements, enhanced risk management and risk committee requirements, a requirement to submit a resolution plan, single-counterparty credit limits and stress tests. The rule incorporates the requirement that the Federal Reserve conduct annual supervisory capital adequacy stress tests of covered companies under baseline, adverse and severely adverse scenarios, and requires covered companies to conduct their own capital adequacy stress tests. The rule provides for notification to a covered company as to which the Council has determined to impose a debt-to-equity ratio of no more than 15-to-1, based upon the determination by the Council that (a) such company poses a grave threat to the financial stability of the United States and (b) the imposition of such a requirement is necessary to mitigate the risk that the company poses to the financial stability of the United States.

OCC Heightened Standards In September 2014, the OCC, under separate authority, finalized guidelines establishing heightened standards for large national banks such as U.S. Bank National Association. The guidelines establish minimum standards for the design and implementation of a risk governance framework for banks. The OCC may take action against institutions that fail to meet these standards.

Permissible Business Activities As a financial holding company, the Company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. “Financial in nature” activities include the following: securities underwriting, dealing and market making; sponsoring mutual funds and investment companies; insurance underwriting and agency; merchant banking; and activities that the Federal Reserve, in consultation

with the Secretary of the United States Treasury, determines to be financial in nature or incidental to such financial activity. “Complementary activities” are activities that the Federal Reserve determines upon application to be complementary to a financial activity and that do not pose a safety and soundness risk.

The Company generally is not required to obtain Federal Reserve approval to acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve. However, the Dodd-Frank Act added a provision requiring approval if the total consolidated assets to be acquired exceed \$10 billion. Financial holding companies are also required to obtain the approval of the Federal Reserve before they may acquire more than five percent of the voting shares or substantially all of the assets of an unaffiliated bank holding company, bank or savings association.

Interstate Banking Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “Riegle-Neal Act”), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time (not to exceed five years). Also, such an acquisition is not permitted if the bank holding company controls, prior to or following the proposed acquisition, more than 10 percent of the total amount of deposits of insured depository institutions nationwide, or, if the acquisition is the bank holding company’s initial entry into the state, more than 30 percent of the deposits of insured depository institutions in the state (or any lesser or greater amount set by the state).

The Riegle-Neal Act also authorizes banks to merge across state lines to create interstate branches. Under the Dodd-Frank Act, banks are permitted to establish new branches in another state to the same extent as banks chartered in that state.

Regulatory Approval for Acquisitions In determining whether to approve a proposed bank acquisition, federal bank regulators will consider a number of factors, including the following: the effect of the acquisition on competition, financial condition and future prospects (including current and projected capital ratios and levels); the competence, experience and integrity of management and its record of compliance with laws and regulations; the convenience and needs of the communities to be served (including the acquiring institution’s record of compliance under the CRA); the effectiveness of the acquiring institution in combating money laundering activities; and the extent to which the transaction would result in greater or more concentrated risks to the stability of the United States banking or financial system. In addition, under the Dodd-Frank Act, approval of interstate transactions requires that the acquiror satisfy regulatory standards for well-capitalized and well-managed institutions.

Dividend Restrictions The Company is a legal entity separate and distinct from its subsidiaries. Typically, the majority of the Company’s operating funds are received in the form of dividends paid to the Company by U.S. Bank National Association. Federal law imposes limitations on the payment of dividends by national banks.

In general, dividends payable by U.S. Bank National Association and the Company’s trust bank subsidiaries, as national banking associations, are limited by rules that compare dividends to net income for periods defined by regulation.

The OCC, the Federal Reserve and the FDIC also have authority to prohibit or limit the payment of dividends by the banking organizations they supervise (including the Company and U.S. Bank National Association), if, in the banking regulator’s opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. Subject to exceptions for well-capitalized and well-managed holding companies, Federal Reserve regulations also require approval of holding company purchases and redemptions of its securities if the gross consideration paid exceeds 10 percent of consolidated net worth for any 12-month period.

In addition, Federal Reserve policy on the payment of dividends, stock redemptions and stock repurchases requires that bank holding companies consult with and inform the Federal Reserve in advance of doing any of the

following: declaring and paying dividends that could raise safety and soundness concerns (e.g., declaring and paying dividends that exceed earnings for the period for which dividends are being paid); redeeming or repurchasing capital instruments when experiencing financial weakness; and redeeming or repurchasing common stock and perpetual preferred stock, if the result will be a net reduction in the amount of such capital instruments outstanding for the quarter in which the reduction occurs.

In 2010, the Federal Reserve issued an addendum to its policy on dividends, stock redemptions and stock repurchases that is specifically applicable to the 19 largest bank holding companies (including the Company) that are covered by the Supervisory Capital Assessment Program. The addendum provides for Federal Reserve review of dividend increases, implementation of capital repurchase programs and other capital repurchases or redemptions.

The supervisory stress tests of the Company conducted by the Federal Reserve as part of its annual Comprehensive Capital Analysis and Review (“CCAR”) process also affect the ability of the Company to pay dividends and make other forms of capital distribution. See “Comprehensive Capital Analysis and Review” and “Stress Testing” below.

Capital Requirements The Company is subject to regulatory capital requirements established by the Federal Reserve, and U.S. Bank National Association is subject to substantially similar rules established by the OCC. These requirements have changed significantly as a result of standards established by the Basel Committee on Banking Supervision (the “Basel Committee”), an international organization that has the goal of creating standards for banking regulation, and the implementation of these standards and of relevant provisions of the Dodd-Frank Act by banking regulators in the United States. Minimum regulatory capital levels will significantly increase as these requirements are implemented and phased in.

Prior to 2014, regulatory capital requirements effective for the Company followed the 1988 capital accord of the Basel Committee known as Basel I. In implementing Basel I, federal banking regulators adopted risk-based capital and leverage rules that require the capital-to-assets ratios of financial institutions to meet certain minimum standards. The risk-based capital ratio is calculated by allocating assets and specified off-balance sheet financial instruments into risk-weighted categories (with higher levels of capital being required for the categories perceived as representing greater risk), and is used to determine the amount of a financial institution’s total risk-weighted assets (“RWAs”). Under the rules, capital is divided into multiple tiers: common equity tier 1 capital, additional tier 1 capital and tier 2 capital. The amount of tier 2 capital may not exceed the amount of tier 1 capital. Total capital is the sum of tier 1 capital and tier 2 capital. The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as tier 1 capital divided by adjusted average total on-balance sheet assets.

The Federal Reserve and the OCC approved a final rule in 2007 adopting international guidelines established by the Basel Committee known as Basel II. The Basel II framework consists of three pillars: (a) capital adequacy; (b) supervisory review (including the computation of capital and internal assessment processes); and (c) market discipline (including increased disclosure requirements). In December 2010, the Basel Committee issued a new set of international standards for determining regulatory capital known as Basel III. Federal banking regulators published the United States Basel III final rule in July 2013 to implement many aspects of these international standards as well as certain provisions of the Dodd-Frank Act. The United States Basel III final rule focuses regulatory capital on common equity tier 1 capital, introduces new regulatory adjustments and deductions from capital, narrows the eligibility criteria for regulatory capital instruments and makes other changes to the Basel I and Basel II frameworks. Specifically, Basel III 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 Basel III methodology that is most restrictive. In December 2013, the Federal Reserve approved a final rule to revise the market risk capital rule, which addresses the market risk of significant trading activities, so that it conforms to the Basel III capital framework. The revised market risk capital rule was effective April 1, 2014.

Beginning January 1, 2014, the regulatory capital requirements for the Company follow Basel III, subject to certain transition provisions from Basel I over the following four years to full implementation by January 1, 2018. Under the United States Basel III final rule, the Company is subject to a minimum common equity tier 1 capital ratio (common equity tier 1 capital to RWA) of 4.5 percent, a minimum tier 1 capital ratio of 6.0 percent and a minimum total capital ratio of 8.0 percent on a fully phased-in basis. In addition, the final rule provides that certain new items be deducted from common equity tier 1 capital and certain Basel I deductions be modified. The Company is also subject to a 2.5 percent common equity tier 1 capital conservation buffer and, if deployed, up to a 2.5 percent common equity tier 1 countercyclical buffer on a fully phased-in basis by 2019. United States banking organizations are subject to a minimum leverage ratio of 4.0 percent. The final rule also subjects banking organizations calculating their capital requirements using advanced approaches, including the Company, to a minimum Basel III supplementary leverage ratio of 3.0 percent that takes into account both on-balance sheet and certain off-balance sheet exposures.

The United States banking regulators also published final regulations in June 2011 implementing Section 171 of the Dodd-Frank Act, commonly known as the Collins Amendment, which requires that certain institutions supervised by the Federal Reserve, including the Company, be subject to minimum capital requirements that are not less than the generally applicable risk-based capital requirements. Prior to 2015, this minimum “capital floor” was based on Basel I. On January 1, 2015, the United States Basel III final rule replaced the Basel I-based “capital floor” with a standardized approach that, among other things, modifies the existing risk weights for certain types of asset classes. The “capital floor” applies to the calculation of both minimum risk-based capital requirements as well as the capital conservation buffer and, if deployed, the countercyclical capital buffer.

In September 2014, United States banking regulators approved a final rule that enhanced the regulatory Supplementary Leverage Ratio (“SLR”) requirement for banks calculating capital adequacy using advanced approaches under Basel III. The SLR is defined as tier 1 capital divided by total leverage exposure, which includes both on- and off-balance sheet exposures. The Company began calculating and reporting its SLR beginning in the first quarter of 2015; however, it is not subject to the minimum SLR requirement until January 1, 2018. At December 31, 2016, the Company exceeds the applicable minimum SLR requirement.

For additional information regarding the Company’s regulatory capital, see “Capital Management” in the Company’s 2016 Annual Report.

Comprehensive Capital Analysis and Review The Federal Reserve’s Capital Plans rule requires large bank holding companies with assets in excess of \$50 billion to submit capital plans to the Federal Reserve on an annual basis and to obtain approval from the Federal Reserve for capital distributions proposed in the capital plan. These capital plans consist of a number of mandatory elements, including an assessment of a company’s sources and uses of capital over a nine-quarter planning horizon assuming both expected and stressful conditions; a detailed description of a company’s process for assessing capital adequacy; a demonstration of a company’s ability to maintain capital above each minimum regulatory capital ratio and above a tier 1 common ratio of 5.0 percent under expected and stressful conditions; and a demonstration of a company’s ability to achieve, readily and without difficulty, the minimum capital ratios and capital buffers under the Basel III framework as it comes into effect in the United States.

The Federal Reserve has issued a final rule specifying how large bank holding companies, including the Company, should incorporate the United States Basel III capital standards into their capital plans. Among other things, the final rule requires large bank holding companies to project both their common equity tier 1 capital ratio using the methodology under existing capital guidelines and their common equity tier 1 capital ratio under the United States Basel III capital standards, as such standards phase in over the nine-quarter planning horizon.

The Company will submit its 2017 capital plan to the Federal Reserve by April 5, 2017, in accordance with instructions from the Federal Reserve. Applicable stress testing rules require the Federal Reserve to publish the

results of its assessment of the Company's capital plan, including its planned capital distributions, no later than June 30, 2017.

Stress Testing The Federal Reserve's CCAR framework and the Dodd-Frank Act stress testing framework require large bank holding companies such as the Company to conduct company-run stress tests and subject them to supervisory stress tests conducted by the Federal Reserve. Among other things, the company-run stress tests employ stress scenarios developed by the Company as well as stress scenarios provided by the Federal Reserve and incorporate the Dodd-Frank Act capital actions, which are intended to normalize capital distributions across large United States bank holding companies. The Federal Reserve conducts CCAR and Dodd-Frank supervisory stress tests employing its adverse and severely adverse stress scenarios and internal supervisory models. The Federal Reserve's CCAR and Dodd-Frank Act supervisory stress tests incorporate the Company's planned capital actions and the Dodd-Frank Act capital actions, respectively. The Federal Reserve and the Company are required to publish the results of the annual supervisory and annual company-run stress tests, respectively, no later than June 30 of each year. In addition, all large bank holding companies are required to submit a mid-cycle company-run stress test employing stress scenarios developed by the Company. The results of this stress test must be submitted to the Federal Reserve for review in early October of each year. The Company is required to publish its results of this stress test no later than the end of November of each year. The Federal Reserve currently publishes summaries of supervisory stress test results for each large bank holding company under both the adverse and severely adverse stress scenarios developed by the Federal Reserve.

National banks with assets in excess of \$50 billion are required to submit annual company-run stress test results to the OCC concurrently with their parent bank holding company's CCAR submission to the Federal Reserve. The stress test is based on the OCC's stress scenarios (which are typically the same as the Federal Reserve's stress scenarios) and capital actions that are appropriate for the economic conditions assumed in each scenario. U.S. Bank National Association will submit its stress test in accordance with regulatory requirements by April 5, 2017. The Company is required to publish the results of this stress test no later than June 30, 2017.

Basel III Liquidity Requirements The Basel Committee proposed in 2009 two minimum standards for limiting liquidity risk: the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). The LCR is designed to ensure that bank holding companies have sufficient high-quality liquid assets to survive a significant liquidity stress event lasting for 30 calendar days. The NSFR is designed to promote stable, longer-term funding of assets and business activities over a one-year time horizon.

In October 2014, the federal banking regulators finalized a rule to implement the LCR in the United States. The rule applies the LCR standards to bank holding companies and their domestic bank subsidiaries calculating their capital requirements using advanced approaches, including the Company and U.S. Bank National Association. The LCR standards in the rule differ in certain respects from the Basel Committee's version of the LCR, including a narrower definition of high-quality liquid assets, different prescribed cash inflow and outflow assumptions for certain types of instruments and transactions, a different methodology for calculating the LCR and a shorter phase-in schedule that ended on December 31, 2016. In June 2016, the federal banking regulators proposed a rule to implement a NSFR requirement in the United States that would apply to the Company and U.S. Bank National Association, consistent with the Basel Committee NSFR standard finalized in October 2014. The Basel Committee contemplates that the NSFR, including any revisions, will be implemented as a minimum standard by January 1, 2018.

Federal Deposit Insurance Corporation Improvement Act The Federal Deposit Insurance Corporation Improvement Act of 1991 (the "FDICIA") provides a framework for regulation of depository institutions and their affiliates (including parent holding companies) by federal banking regulators. As part of that framework, the FDICIA requires the relevant federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards.

Supervisory actions by the appropriate federal banking regulator under the "prompt corrective action" rules generally depend upon an institution's classification within five capital categories. The United States Basel III

final rule revises the capital ratio thresholds in the prompt corrective action framework to reflect the new Basel III capital ratios. This aspect of the United States Basel III rule became effective on January 1, 2015. The regulations apply only to banks and not to bank holding companies such as the Company; however, subject to limitations that may be imposed pursuant to the GLBA, the Federal Reserve is authorized to take appropriate action at the holding company level, based on the undercapitalized status of the holding company's subsidiary banking institutions. In certain instances relating to an undercapitalized banking institution, the bank holding company would be required to guarantee the performance of the undercapitalized subsidiary's capital restoration plan and could be liable for civil money damages for failure to fulfill those guarantee commitments.

Deposit Insurance Under current FDIC regulations, each depository institution is assigned to a risk category based on capital and supervisory measures. A depository institution is assessed premiums by the FDIC based on its risk category and the amount of deposits held. In 2009, the FDIC revised the method for calculating the assessment rate for depository institutions by introducing several adjustments to an institution's initial base assessment rate. The Dodd-Frank Act altered the assessment base for deposit insurance assessments from a deposit to an asset base, and seeks to fund part of the cost of the Dodd-Frank Act by increasing the reserve ratio of the deposit insurance fund to 1.35 percent of estimated insured deposits. The Dodd-Frank Act also requires that FDIC assessments be set in a manner that offsets the cost of the assessment increases for institutions with consolidated assets of less than \$10 billion. This provision effectively places the increased assessment costs on larger financial institutions such as the Company.

The Dodd-Frank Act also permanently increased deposit insurance coverage from \$100,000 per account ownership type to \$250,000. In February 2011, the FDIC adopted a final rule implementing the Dodd-Frank Act provisions, which provides for use of a risk scorecard to determine deposit premiums. The effect of the rule was to increase the FDIC premiums paid by U.S. Bank National Association. In 2014, the FDIC adopted a final rule revising its deposit insurance assessment system to reflect changes in the regulatory capital rules that are effective in 2015 and 2018. The rule (a) revises the ratios and ratio thresholds relating to capital evaluations; (b) revises the assessment base calculation for custodial banks; and (c) requires that all highly complex institutions measure counterparty exposure for assessment purposes using the Basel III standardized approach in the regulatory capital rules.

In March 2016, in order to bring the reserve ratio of the deposit insurance fund to 1.35 percent, the FDIC finalized a surcharge on the quarterly assessments of insured depository institutions with total consolidated assets of \$10 billion or more. The surcharges were first imposed in the third quarter of 2016, the calendar quarter after the reserve ratio of the deposit insurance fund first reached or exceeded 1.15 percent. The surcharge imposed on each insured depository institution equals an annual rate of 4.5 basis points applied to the institution's assessment base (with certain adjustments). The FDIC expects that these surcharges should be sufficient to raise the reserve ratio to 1.35 percent in approximately eight quarters (i.e., before the end of 2018). If, contrary to the FDIC's expectations, the reserve ratio does not reach 1.35 percent by December 31, 2018, the FDIC plans to impose a shortfall assessment on insured depository institutions with total consolidated assets of \$10 billion or more on March 31, 2019.

Powers of the FDIC Upon Insolvency of an Insured Institution If the FDIC is appointed the conservator or receiver of an insured depository institution upon its insolvency or in certain other events, the FDIC has the power to (a) transfer any of the depository institution's assets and liabilities to a new obligor without the approval of the depository institution's creditors; (b) enforce the terms of the depository institution's contracts pursuant to their terms; or (c) repudiate or disaffirm any contracts (if the FDIC determines that performance of the contract is burdensome and that the repudiation or disaffirmation is necessary to promote the orderly administration of the depository institution). These provisions would be applicable to obligations and liabilities of the Company's insured depository institution subsidiary, U.S. Bank National Association.

Depositor Preference Under federal law, in the event of the liquidation or other resolution of an insured depository institution, the claims of a receiver of the institution for administrative expense and the claims of

holders of domestic deposit liabilities (including the FDIC, as subrogee of the depositors) have priority over the claims of other unsecured creditors of the institution, including holders of publicly issued senior or subordinated debt and depositors in non-domestic offices. As a result, those debtholders and depositors would be treated differently from, and could receive, if anything, substantially less than, the depositors in domestic offices of the depository institution.

Orderly Liquidation Authority The Dodd-Frank Act created a new framework for the orderly liquidation of a covered financial company by the FDIC as receiver. A covered financial company is a financial company (including a bank holding company, but not an insured depository institution), in situations where the Secretary of the Treasury determines (upon the written recommendation of the FDIC and the Federal Reserve and after consultation with the President) that the conditions set forth in the Dodd-Frank Act regarding the potential impact on financial stability of the financial company's failure have been met. The rule sets forth a comprehensive method for the receivership of a covered financial company. The Company is a financial company and, therefore, is potentially subject to the orderly liquidation authority of the FDIC.

Resolution Plans The Federal Reserve and the FDIC have adopted a rule to implement the requirements of the Dodd-Frank Act regarding annual resolution plans for bank holding companies with assets of \$50 billion or more (so-called "Living Wills"). The rule requires each covered company to produce a contingency resolution plan for the rapid and orderly resolution of the company in the event of material financial distress or failure. Resolution plans must include information regarding the manner and extent to which any insured depository institution affiliated with the company is adequately protected from risks arising from the activities of any non-bank subsidiaries of the company; full descriptions of ownership structure, assets, liabilities and contractual obligations of the company; identification of the cross-guarantees tied to different securities; identification of major counterparties; a process for determining to whom the collateral of the company is pledged; and any other information that the Federal Reserve and the FDIC jointly require by rule or order. Plans must analyze baseline, adverse, and severely adverse economic condition impacts. Plans must demonstrate, in the event of material financial distress or failure of the covered company, a reorganization or liquidation of the covered company under the federal bankruptcy code that could be accomplished within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States. Covered companies and their subsidiaries are subject to more stringent capital, leverage and liquidity requirements or restrictions on growth, activities or operations if they fail to file an acceptable plan (i.e., the plan is determined to not be credible and deficiencies are not cured in a timely manner). Plans must typically be updated annually.

The FDIC has also adopted regulations under its own authority requiring an insured depository institution with \$50 billion or more in total assets to submit periodically to the FDIC a contingency plan for the resolution of such institution in the event of its failure. The rule requires a covered depository institution to submit a resolution plan that should enable the FDIC, as receiver, to resolve the institution under applicable receivership provisions of the Federal Deposit Insurance Act in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution's failure, maximizes the net present value return from the sale or disposition of its assets and minimizes the amount of any loss to be realized by the institution's creditors.

The Company filed its resolution plans pursuant to each rule in December 2015, and will periodically revise its plans as required.

Recovery Plans In September 2016, the OCC finalized a rule that establishes enforceable guidelines for recovery planning by insured national banks, insured federal savings associations, and insured federal branches of foreign banks with average total consolidated assets of \$50 billion or more, which includes U.S. Bank National Association. The guidelines provide that a covered bank should develop and maintain a recovery plan that is appropriate for its individual risk profile, size, activities, and complexity, including the complexity of its organizational and legal entity structure. The guidelines state that a recovery plan should (a) establish triggers, which are quantitative or qualitative indicators of the risk or existence of severe stress that should always be

escalated to management or the board of directors, as appropriate, for purposes of initiating a response; (b) identify a wide range of credible options that a covered bank could undertake to restore financial and operational strength and viability; and (c) address escalation procedures, management reports, and communication procedures.

Liability of Commonly Controlled Institutions An FDIC-insured depository institution can be held liable for any loss incurred or expected to be incurred by the FDIC in connection with another FDIC-insured institution under common control with that institution being “in default” or “in danger of default” (commonly referred to as “cross-guarantee” liability). An FDIC claim for cross-guarantee liability against a depository institution is generally superior in right of payment to claims of the holding company and its affiliates against the depository institution.

Transactions with Affiliates There are various legal restrictions on the extent to which the Company and its non-bank subsidiaries may borrow or otherwise engage in certain types of transactions with U.S. Bank National Association. Under the Federal Reserve Act and Regulation W, U.S. Bank National Association (and its subsidiaries) is subject to quantitative and qualitative limits on extensions of credit, purchases of assets, and certain other transactions involving its non-bank affiliates. Additionally, transactions between U.S. Bank National Association and its non-bank affiliates are required to be on arm’s length terms and must be consistent with standards of safety and soundness.

Anti-Money Laundering and Sanctions The Company is subject to several federal laws that are designed to combat money laundering and terrorist financing, and to restrict transactions with persons, companies, or foreign governments sanctioned by United States authorities. This category of laws includes the Bank Secrecy Act, the Money Laundering Control Act, the USA PATRIOT Act (“AML laws”), and implementing regulations for the International Emergency Economic Powers Act and the Trading with the Enemy Act, as administered by the United States Treasury Department’s Office of Foreign Assets Control (“sanctions laws”).

In October 2015, U.S. Bank National Association entered into a Consent Order with the OCC regarding its Bank Secrecy Act (“BSA”) /Anti-Money Laundering (“AML”) compliance program. U.S. Bank National Association has implemented a number of BSA/AML compliance program enhancements and is taking significant steps to remediate the issues identified in the Consent Order.

As implemented by federal banking and securities regulators and the Department of the Treasury, AML laws obligate depository institutions and broker-dealers to verify their customers’ identity, conduct customer due diligence, report on suspicious activity, file reports of transactions in currency, and conduct enhanced due diligence on certain accounts. Sanctions laws prohibit persons of the United States from engaging in any transaction with a restricted person or restricted country. Depository institutions and broker-dealers are required by their respective federal regulators to maintain policies and procedures in order to ensure compliance with the above obligations. Federal regulators regularly examine BSA/AML and sanctions compliance programs to ensure their adequacy and effectiveness, and the frequency and extent of such examinations and the remedial actions resulting therefrom have been increasing.

Non-compliance with sanctions laws and/or AML laws or failure to maintain an adequate BSA/AML compliance program can lead to significant monetary penalties and reputational damage, and federal regulators evaluate the effectiveness of an applicant in combating money laundering when determining whether to approve a proposed bank merger, acquisition, restructuring, or other expansionary activity. There have been a number of significant enforcement actions against banks, broker-dealers and non-bank financial institutions with respect to sanctions laws and AML laws and some have resulted in substantial penalties, including criminal pleas.

Community Reinvestment Act U.S. Bank National Association is subject to the provisions of the CRA. Under the terms of the CRA, banks have a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs of their communities, including providing credit to individuals residing in

low-income and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, and does not limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community in a manner consistent with the CRA.

The OCC regularly assesses U.S. Bank National Association on its record in meeting the credit needs of the community served by that institution, including low-income and moderate-income neighborhoods. The assessment also is considered when the Federal Reserve or OCC reviews applications by banking institutions to acquire, merge or consolidate with another banking institution or its holding company, to establish a new branch office that will accept deposits, or to relocate an office. In the case of a bank holding company applying for approval to acquire a bank or other bank holding company, the Federal Reserve will assess the records of each subsidiary depository institution of the applicant bank holding company, and those records may be the basis for denying the application.

U.S. Bank National Association received a "Satisfactory" CRA rating in its most recent examination, covering the period from January 1, 2009 through December 31, 2011.

Regulation of Brokerage, Investment Advisory and Insurance Activities The Company conducts securities underwriting, dealing and brokerage activities in the United States through U.S. Bancorp Investments, Inc. ("USBII") and other subsidiaries. These activities are subject to regulations of the SEC, the Financial Industry Regulatory Authority and other authorities, including state regulators. These regulations generally cover licensing of securities personnel, interactions with customers, trading operations and periodic examinations.

Securities regulators impose capital requirements on USBII and monitor its financial operations with periodic financial reviews. In addition, USBII is a member of the Securities Investor Protection Corporation, which oversees the liquidation of member broker-dealers that close when the broker-dealer is bankrupt or in financial trouble and imposes reporting requirements and assessments on USBII.

The operations of the First American family of funds, the Company's proprietary money market fund complex, also are subject to regulation by the SEC. In July 2014, the SEC finalized rules regarding money market fund reform. The final rules require a floating net asset value for institutional prime and tax-free money market funds. The rules also give the board of directors of the money market funds the ability to limit redemptions during periods of stress (allowing for the use of liquidity fees and redemption gates during such times). Other changes include tightened diversification requirements and enhanced disclosure requirements.

The Company's operations in the areas of insurance brokerage and reinsurance of credit life insurance are subject to regulation and supervision by various state insurance regulatory authorities, including the licensing of insurance brokers and agents.

Regulation of Derivatives and the Swaps Marketplace Under the Dodd-Frank Act, the CFTC has issued and will continue to issue additional rules regarding the regulation of the swaps marketplace and over-the-counter derivatives. The rules require swap dealers and major swap participants to register with the CFTC and require them to meet robust business conduct standards to lower risk and promote market integrity, to meet certain recordkeeping and reporting requirements so that regulators can better monitor the markets, and to be subject to certain capital and margin requirements. U.S. Bank National Association is a registered swap dealer.

In addition, in October 2015, the Federal Reserve, the OCC, the FDIC, the Federal Housing Finance Agency, and the Farm Credit Administration finalized a rule concerning swap margin and capital requirements. The rule incorporates many aspects of the international framework for margin requirements for non-centrally cleared derivatives issued in September 2013 by the Basel Committee and the Board of the International Organization of Securities Commissions. The final rule mandates the exchange of initial and variation margin for non-cleared swaps and non-cleared security-based swaps between swap entities regulated by the five agencies and certain counterparties. The amount of margin will vary based on the relative risk of the non-cleared swap or

non-cleared security-based swap. The final rule phases in the variation margin requirements between September 1, 2016, and March 1, 2017. The initial margin requirements will phase in over four years, beginning on September 1, 2016. Additionally, the agencies issued a final rule on August 1, 2016 relating to the rule's exemption from margin requirements for certain non-cleared swaps and non-cleared security-based swaps used for hedging purposes by commercial end-users and certain other counterparties.

Other swaps' requirements have been modified by legislation. Section 716 of the Dodd-Frank Act required covered United States banks acting as dealers in commodity swaps, equity swaps and certain credit default swaps to "push out" such activities and conduct them through one or more non-bank affiliates. In December 2014, the Consolidated and Further Continuing Appropriations Act of 2015 was signed into law, which contains a provision that narrows the push-out requirements in Section 716 only to "structured finance swaps."

Future regulations will likely impose additional operational and compliance costs, although the ultimate impact of regulations that have not yet been finalized remains unclear.

The Volcker Rule In December 2013, the SEC, the CFTC, the Federal Reserve, the OCC and the FDIC jointly issued a final rule to implement the so-called "Volcker Rule" under the Dodd-Frank Act. The Volcker Rule prohibits banking entities from engaging in proprietary trading, and prohibits certain interests in, or relationships with, hedge funds or private equity funds. The final rule also requires annual attestation by a banking entity's Chief Executive Officer that the banking entity has in place processes to establish, maintain, enforce, review, test and modify a Compliance Program established in a manner reasonably designed to achieve compliance with the final rule. The final rule became effective on April 1, 2014, and applies to the Company, U.S. Bank National Association and their affiliates. The Company has a Volcker compliance program in place that covers all of its subsidiaries and affiliates, including U.S. Bank National Association.

Financial Privacy Under the requirements imposed by the GLBA, the Company and its subsidiaries are required periodically to disclose to their retail customers the Company's policies and practices with respect to the sharing of nonpublic customer information with its affiliates and others, and the confidentiality and security of that information. Under the GLBA, retail customers also must be given the opportunity to "opt out" of information-sharing arrangements with non-affiliates, subject to certain exceptions set forth in the GLBA.

Incentive-Based Compensation Arrangements In April 2011, the Federal Reserve, the OCC, the FDIC, the SEC, the National Credit Union Administration and the Federal Housing Finance Agency issued a proposed rule under Section 956 of the Dodd-Frank Act that would require the reporting of incentive-based compensation arrangements by a covered financial institution, and prohibit incentive-based compensation arrangements at a covered financial institution that provide excessive compensation or that could expose the institution to inappropriate risks that could lead to material financial loss. In June 2016, those agencies issued a joint proposed rule to revise the proposed rule that had been issued in 2011 and that would prohibit incentive-based compensation arrangements that those agencies determine encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator.

Durbin Amendment A provision of the Dodd-Frank Act known as the Durbin Amendment required the Federal Reserve to establish a cap on the interchange fees that merchants pay banks for electronic clearing of debit transactions. The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions, and it established a maximum permissible interchange fee that an issuer may receive for an electronic debit transaction, which reduces fee revenue to debit card issuers such as the Company. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is

the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction.

In July 2013, the United States District Court for the District of Columbia, in *NACS, et al. v. Board of Governors of the Federal Reserve System*, invalidated these regulations, ruling in favor of a group of retailers who argued that the new lower interchange fees had been inappropriately set too high. The United States Court of Appeals for the District of Columbia Circuit, in March 2014, reversed the district court, upheld the vast majority of the regulations, and remanded the matter to the district court for the limited purpose of reviewing the Federal Reserve's treatment of transaction monitoring costs. In January 2015, the Supreme Court declined to review the Court of Appeals decision, which effectively keeps the final interchange fees rules intact.

Consumer Protection Regulation Retail banking activities are subject to a variety of statutes and regulations designed to protect consumers, including laws related to fair lending and the prohibition of unfair, deceptive, or abusive acts or practices in connection with the offer, sale, or provision of consumer financial products and services. These laws and regulations include the Truth-in-Lending, Truth-in-Savings, Home Mortgage Disclosure, Equal Credit Opportunity, Fair Credit Reporting, Fair Debt Collection Practices, Real Estate Settlement Procedures, Electronic Funds Transfer, Right to Financial Privacy and Servicemembers Civil Relief Acts. Interest and other charges collected or contracted for by banks are subject to state usury laws and federal laws concerning interest rates.

Consumer Financial Protection Bureau U.S. Bank National Association and its subsidiaries are subject to supervision and regulation by the CFPB with respect to federal consumer laws, including many of the laws and regulations described above. The CFPB has undertaken numerous rule-making and other initiatives, including issuing informal guidance and taking enforcement actions against certain financial institutions. The CFPB's rulemaking, examination and enforcement authority has and will continue to significantly affect financial institutions involved in the provision of consumer financial products and services, including the Company, U.S. Bank National Association, and the Company's other subsidiaries. These regulatory activities may limit the types of financial services and products the Company may offer, which in turn may reduce the Company's revenues.

Supervisory Ratings Federal banking regulators regularly examine the Company to evaluate its financial condition and monitor its compliance with laws and regulatory policies. Key products of such exams are supervisory ratings of the Company's overall condition, commonly referred to as the CAMELS rating for U.S. Bank National Association (which reflects the OCC's evaluation of certain components of the bank's condition) and the RFI/C(D) rating for U.S. Bancorp (which reflects the Federal Reserve's evaluation of certain components of the holding company's condition). Violations of laws and regulations or deemed deficiencies in risk management practices may be incorporated into these supervisory ratings. A downgrade in these ratings could limit the Company's ability to pursue acquisitions or conduct other expansionary activities for a period of time, require new or additional regulatory approvals before engaging in certain other business activities or investments, affect U.S. Bank National Association's deposit insurance assessment rate, and impose additional recordkeeping and corporate governance requirements, as well as generally increase regulatory scrutiny of the Company.

Other Supervision and Regulation The Company is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), both as administered by the SEC, by virtue of the Company's status as a public company. As a listed company on the New York Stock Exchange (the "NYSE"), the Company is subject to the rules of the NYSE for listed companies.

Website Access to SEC Reports

U.S. Bancorp's internet website can be found at usbank.com. U.S. Bancorp makes available free of charge on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act, as well as all

other reports filed by U.S. Bancorp with the SEC as soon as reasonably practicable after electronically filed with, or furnished to, the SEC.

Additional Information

Additional information in response to this Item 1 can be found in the Company's 2016 Annual Report on pages 62 to 66 under the heading "Line of Business Financial Review." That information is incorporated into this report by reference.

Item 1A. Risk Factors

Information in response to this Item 1A can be found in the Company's 2016 Annual Report on pages 148 to 157 under the heading "Risk Factors." That information is incorporated into this report by reference.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

U.S. Bancorp and its significant subsidiaries occupy headquarter offices under a long-term lease in Minneapolis, Minnesota. The Company also leases nine freestanding operations centers in Cincinnati, Denver, Milwaukee, Minneapolis, Overland Park, Portland and St. Paul. The Company owns 11 principal operations centers in Cincinnati, Coeur d'Alene, Fargo, Milwaukee, Olathe, Owensboro, Portland, St. Louis and St. Paul. At December 31, 2016, the Company's subsidiaries owned and operated a total of 1,514 facilities and leased an additional 1,987 facilities. The Company believes its current facilities are adequate to meet its needs. Additional information with respect to premises and equipment is presented in Note 8 of the Notes to Consolidated Financial Statements included in the Company's 2016 Annual Report. That information is incorporated into this report by reference.

Item 3. Legal Proceedings

Information in response to this Item 3 can be found in Note 22 of the Notes to Consolidated Financial Statements included in the Company's 2016 Annual Report. That information is incorporated into this report by reference.

Item 4. Mine Safety Disclosures

Not Applicable.

Capital Covenants

The Company has entered into several transactions involving the issuance of capital securities ("Capital Securities") by certain Delaware statutory trusts formed by the Company (the "Trusts"), the issuance by the Company of preferred stock ("Preferred Stock") or the issuance by an indirect subsidiary of U.S. Bank National Association of preferred stock exchangeable for the Company's Preferred Stock under certain circumstances ("Exchangeable Preferred Stock"). Simultaneously with the closing of certain of those transactions, the Company entered into a replacement capital covenant, as amended from time to time (as amended, each, a "Replacement Capital Covenant" and collectively, the "Replacement Capital Covenants") for the benefit of persons that buy, hold or sell a specified series of long-term indebtedness of the Company or U.S. Bank National Association (the "Covered Debt"). Each of the Replacement Capital Covenants provides that neither the Company nor any of its subsidiaries (including any of the Trusts) will repay, redeem or purchase any of the Preferred Stock, Exchangeable Preferred Stock or the Capital Securities and the securities held by the Trust (the "Other

Securities”), as applicable, on or before the date specified in the applicable Replacement Capital Covenant, unless the Company has received proceeds from the sale of qualifying securities that (a) have equity-like characteristics that are the same as, or more equity-like than, the applicable characteristics of the Preferred Stock, the Exchangeable Preferred Stock, the Capital Securities or Other Securities, as applicable, at the time of repayment, redemption or purchase, and (b) the Company has obtained the prior approval of the Federal Reserve, if such approval is then required by the Federal Reserve or, in the case of the Exchangeable Preferred Stock, the approval of the OCC.

The Company will provide a copy of any Replacement Capital Covenant to a holder of the relevant Covered Debt. For copies of any of these documents, holders should write to Investor Relations, U.S. Bancorp, 800 Nicollet Mall, Minneapolis, Minnesota 55402, or call (866) 775-9668.

The following table identifies the closing date for each transaction, issuer, series of Capital Securities, Preferred Stock or Exchangeable Preferred Stock issued in the relevant transaction, Other Securities, if any, and applicable Covered Debt as of February 23, 2017, for those securities that remain outstanding.

Closing Date	Issuer	Capital Securities or Preferred Stock	Other Securities	Covered Debt
3/17/06	USB Capital IX and U.S. Bancorp	USB Capital IX’s \$675,378,000 of 6.189% Fixed-to-Floating Rate Normal Income Trust Securities	U.S. Bancorp’s Series A Non-Cumulative Perpetual Preferred Stock	U.S. Bancorp’s 7.50% Subordinated Debentures due 2026 (CUSIP No. 911596AL8)
3/27/06	U.S. Bancorp	U.S. Bancorp’s 40,000,000 Depositary Shares (\$25 per Depositary Share) each representing a 1/1000 th interest in a share of Series B Non-Cumulative Perpetual Preferred Stock	Not Applicable	U.S. Bancorp’s 7.50% Subordinated Debentures due 2026 (CUSIP No. 911596AL8)
12/22/06	USB Realty Corp. ^(a) and U.S. Bancorp	USB Realty Corp.’s 5,000 shares of Fixed-to-Floating-Rate Exchangeable Non-Cumulative Perpetual Series A Preferred Stock exchangeable for shares of U.S. Bancorp’s Series C Non-cumulative Perpetual Preferred Stock ^(b)	Not Applicable	U.S. Bancorp’s 7.50% Subordinated Debentures due 2026 (CUSIP No. 911596AL8)

(a) USB Realty Corp. is an indirect subsidiary of U.S. Bank National Association.

(b) Under certain circumstances, upon the direction of the OCC, each share of USB Realty Corp.’s Series A Preferred Stock will be automatically exchanged for one share of U.S. Bancorp’s Series C Non-cumulative Perpetual Preferred Stock.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

On June 29, 2016, the Company announced that its Board of Directors had approved an authorization to repurchase up to \$2.6 billion of its common stock, from July 1, 2016 through June 30, 2017. Except as otherwise indicated in the table below, all shares repurchased during the fourth quarter of 2016 were repurchased under this authorization. The following table provides a detailed analysis of all shares repurchased by the Company or any affiliated purchaser during the fourth quarter of 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In Millions)
October 1-31	7,324,144 ^(a)	\$ 44.28	7,274,144	\$ 1,623
November 1-30	4,078,648	47.37	4,078,648	1,430
December 1-31	2,694,407	51.06	2,694,407	1,292
Total	14,097,199 ^(a)	\$ 46.47	14,047,199	\$ 1,292

(a) Includes 50,000 shares of common stock purchased at an average price per share of \$42.69, in open-market transactions by U.S. Bank National Association, the Company's principal banking subsidiary, in its capacity as trustee of the Company's Employee Retirement Savings Plan.

Additional Information

Additional information in response to this Item 5 can be found in the Company's 2016 Annual Report on page 145 under the heading "U.S. Bancorp Supplemental Financial Data (Unaudited)." That information is incorporated into this report by reference.

Item 6. *Selected Financial Data*

Information in response to this Item 6 can be found in the Company's 2016 Annual Report on page 23 under the heading "Table 1 — Selected Financial Data." That information is incorporated into this report by reference.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Information in response to this Item 7 can be found in the Company's 2016 Annual Report on pages 22 to 71 under the heading "Management's Discussion and Analysis." That information is incorporated into this report by reference.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Information in response to this Item 7A can be found in the Company's 2016 Annual Report on pages 38 to 60 under the heading "Corporate Risk Profile." That information is incorporated into this report by reference.

Item 8. *Financial Statements and Supplementary Data*

Information in response to this Item 8 can be found in the Company's 2016 Annual Report on pages 72 to 147 under the headings "Report of Management," "Report of Independent Registered Public Accounting Firm," "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting," "U.S. Bancorp Consolidated Balance Sheet," "U.S. Bancorp Consolidated Statement of Income," "U.S. Bancorp

Consolidated Statement of Comprehensive Income,” “U.S. Bancorp Consolidated Statement of Shareholders’ Equity,” “U.S. Bancorp Consolidated Statement of Cash Flows,” “Notes to Consolidated Financial Statements,” “U.S. Bancorp Consolidated Balance Sheet — Five Year Summary (Unaudited),” “U.S. Bancorp Consolidated Statement of Income — Five Year Summary (Unaudited),” “U.S. Bancorp Quarterly Consolidated Financial Data (Unaudited),” “U.S. Bancorp Supplemental Financial Data (Unaudited)” and “U.S. Bancorp Consolidated Daily Average Balance Sheet and Related Yields and Rates (Unaudited)”. That information is incorporated into this report by reference.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Information in response to this Item 9A can be found in the Company’s 2016 Annual Report on page 71 under the heading “Controls and Procedures” and on pages 72 and 74 under the headings “Report of Management” and “Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting.” That information is incorporated into this report by reference.

Item 9B. *Other Information*

None.

Item 10. Directors, Executive Officers and Corporate Governance

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct that applies to its principal executive officer, principal financial officer and principal accounting officer. The Company's Code of Ethics and Business Conduct can be found at www.usbank.com by clicking on "About U.S. Bank" and then clicking on "Ethics" under the "Investor/Shareholder Information" heading, which is located at the left side of the bottom of the page. The Company intends to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, certain provisions of the Code of Ethics and Business Conduct that apply to its principal executive officer, principal financial officer and principal accounting officer by posting such information on its website, at the address and location specified above.

Executive Officers of the Registrant

Richard K. Davis

Mr. Davis is Chairman and Chief Executive Officer of U.S. Bancorp. Mr. Davis, 58, has served as Chairman of U.S. Bancorp since December 2007 and Chief Executive Officer since December 2006. He also served as President from October 2004 until January 2016. He served as Chief Operating Officer from October 2004 until December 2006. Mr. Davis has held management positions with the Company since joining Star Banc Corporation, one of its predecessors, in 1993 as Executive Vice President.

Jennie P. Carlson

Ms. Carlson is Executive Vice President, Human Resources, of U.S. Bancorp. Ms. Carlson, 56, has served in this position since January 2002. Until that time, she served as Executive Vice President, Deputy General Counsel and Corporate Secretary of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. From 1995 until the merger, she was General Counsel and Secretary of Firststar Corporation and Star Banc Corporation.

Andrew Cecere

Mr. Cecere is President and Chief Operating Officer of U.S. Bancorp. Mr. Cecere, 56, has served in this position since January 2016. From January 2015 until January 2016, he served as Vice Chairman and Chief Operating Officer. From February 2007 to January 2015, Mr. Cecere served as U.S. Bancorp's Vice Chairman and Chief Financial Officer. Until that time, he served as Vice Chairman, Wealth Management and Securities Services of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Previously, he had served as an executive officer of the former U.S. Bancorp, including as Chief Financial Officer from May 2000 through February 2001.

James L. Chosy

Mr. Chosy is Executive Vice President and General Counsel of U.S. Bancorp. Mr. Chosy, 53, has served in this position since March 1, 2013. He also served as Corporate Secretary of U.S. Bancorp from March 2013 until April 2016. From 2001 to 2013, he served as the General Counsel and Secretary of Piper Jaffray Companies. From 1995 to 2001, Mr. Chosy was Vice President and Associate General Counsel of U.S. Bancorp, having also served as Assistant Secretary of U.S. Bancorp from 1995 through 2000 and as Secretary from 2000 until 2001.

Terrance R. Dolan

Mr. Dolan is Vice Chairman and Chief Financial Officer of U.S. Bancorp. Mr. Dolan, 55, has served in this position since August 2016. From July 2010 to July 2016, he served as Vice Chairman, Wealth Management and

Securities Services, of U.S. Bancorp. From September 1998 to July 2010, Mr. Dolan served as U.S. Bancorp's Controller. He additionally held the title of Executive Vice President from January 2002 until June 2010 and Senior Vice President from September 1998 until January 2002.

John R. Elmore

Mr. Elmore is Vice Chairman, Community Banking and Branch Delivery, of U.S. Bancorp. Mr. Elmore, 60, has served in this position since March 2013. From 1999 to 2013, he served as Executive Vice President, Community Banking, of U.S. Bancorp and its predecessor company, Firststar Corporation.

Leslie V. Godridge

Ms. Godridge is Vice Chairman, Wholesale Banking, of U.S. Bancorp. Ms. Godridge, 61, has served in this position since January 2016. From February 2013 until December 2015, she served as Executive Vice President, National Corporate Specialized Industries and Global Treasury Management, of U.S. Bancorp. From February 2007, when she joined U.S. Bancorp, until January 2013, Ms. Godridge served as Executive Vice President, National Corporate and Institutional Banking, of U.S. Bancorp. Prior to that time, she served as Senior Executive Vice President and a member of the Executive Committee at The Bank of New York, where she was head of BNY Asset Management, Private Banking, Consumer Banking and Regional Commercial Banking from 2004 to 2006.

Gunjan Kedia

Ms. Kedia is Vice Chairman, Wealth Management and Securities Services, of U.S. Bancorp. Ms. Kedia, 45, has served in this position since joining U.S. Bancorp in December 2016. From October 2008 until May 2016, she served as Executive Vice President of State Street Corporation where she led the core investment servicing business in North and South America and served as a member of State Street's management committee, its senior most strategy and policy committee. Previously, Ms. Kedia was an Executive Vice President of global product management at Bank of New York Mellon from 2004 to 2008.

James B. Kelligrew

Mr. Kelligrew is Vice Chairman, Wholesale Banking, of U.S. Bancorp. Mr. Kelligrew, 51, has served in this position since January 2016. From March 2014 until December 2015, he served as Executive Vice President, Fixed Income and Capital Markets, of U.S. Bancorp, having served as Executive Vice President, Credit Fixed Income, of U.S. Bancorp from May 2009 to March 2014. Prior to that time, he held various leadership positions with Wells Fargo Securities from 2003 to 2009, and with Bank of America Securities from 1993 to 2003.

Shailesh M. Kotwal

Mr. Kotwal is Vice Chairman, Payment Services, of U.S. Bancorp. Mr. Kotwal, 52, has served in this position since joining U.S. Bancorp in March 2015. From July 2008 until May 2014, he served as Executive Vice President of TD Bank Group with responsibility for retail banking products and services and as Chair of its enterprise payments council. From 2006 until 2008, he served as President, International, of eFunds Corporation, a payment services company. Previously, Mr. Kotwal served in various leadership roles at American Express Company from 1989 until 2006, including responsibility for operations in North and South America, Europe and the Asia-Pacific regions.

P.W. Parker

Mr. Parker is Vice Chairman and Chief Risk Officer of U.S. Bancorp. Mr. Parker, 60, has served in this position since December 2013. From October 2007 until December 2013 he served as Executive Vice President and Chief Credit Officer of U.S. Bancorp. From March 2005 until October 2007, he served as Executive Vice President of Credit Portfolio Management of U.S. Bancorp, having served as Senior Vice President of Credit Portfolio Management of U.S. Bancorp since January 2002.

Katherine B. Quinn

Ms. Quinn is Executive Vice President and Chief Strategy and Reputation Officer of U.S. Bancorp. Ms. Quinn, 52, has served in this position since joining U.S. Bancorp in September 2013 and has served on U.S. Bancorp's Managing Committee since January 2015. From September 2010 until January 2013, she served as Chief Marketing Officer of WellPoint, Inc. (now known as Anthem, Inc.), a health insurance provider, having served as Head of Corporate Marketing of WellPoint from July 2005 until September 2010. Prior to that time, she served as Chief Marketing and Strategy Officer at The Hartford, an investment and insurance company, from 2003 until 2005.

Mark G. Runkel

Mr. Runkel is Executive Vice President and Chief Credit Officer of U.S. Bancorp. Mr. Runkel, 40, has served in this position since December 2013. From February 2011 until December 2013, he served as Senior Vice President and Credit Risk Group Manager of U.S. Bancorp Retail and Payment Services Credit Risk Management, having served as Senior Vice President and Risk Manager of U.S. Bancorp Retail and Small Business Credit Risk Management from June 2009 until February 2011. From March 2005 until May 2009, he served as Vice President and Risk Manager of U.S. Bancorp.

Kent V. Stone

Mr. Stone is Vice Chairman, Consumer Banking Sales and Support, of U.S. Bancorp. Mr. Stone, 59, has served in this position since March 2013. He served as an Executive Vice President of U.S. Bancorp from 2000 to 2013, most recently with responsibility for Consumer Banking Support Services since 2006, and held other senior leadership positions with U.S. Bancorp since 1991.

Jeffrey H. von Gillern

Mr. von Gillern is Vice Chairman, Technology and Operations Services, of U.S. Bancorp. Mr. von Gillern, 51, has served in this position since July 2010. From April 2001, when he joined U.S. Bancorp, until July 2010, Mr. von Gillern served as Executive Vice President of U.S. Bancorp, additionally serving as Chief Information Officer from July 2007 until July 2010.

Additional Information

Additional information in response to this Item 10 can be found in the Company's Proxy Statement under the headings "Other Matters — Section 16(a) Beneficial Ownership Reporting Compliance," "Proposal 1 — Election of Directors," "Corporate Governance — Committee Responsibilities" and "Corporate Governance — Committee Member Qualifications." That information is incorporated into this report by reference.

Item 11. *Executive Compensation*

Information in response to this Item 11 can be found in the Company's Proxy Statement under the headings "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation" and "Director Compensation." That information is incorporated into this report by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table summarizes information regarding the Company's equity compensation plans in effect as of December 31, 2016:

<u>Plan Category</u>	<u>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in the First Column)</u>
Equity compensation plans approved by security holders			40,685,926 ⁽³⁾
Stock Options	16,921,621 ⁽¹⁾	\$ 30.03	
Restricted Stock Units and Performance-Based Restricted Stock Units	7,891,205 ⁽²⁾	-	
Equity compensation plans not approved by security holders ⁽⁴⁾	521,344	-	-
Total	25,334,170		40,685,926

(1) Includes shares underlying stock options under the U.S. Bancorp 2015 Stock Incentive Plan (the "2015 Plan"), the U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan") and the U.S. Bancorp 2001 Stock Incentive Plan (the "2001 Plan"). Excludes 137,620 shares, with a weighted-average exercise price of \$19.86, underlying outstanding warrants assumed in connection with acquisitions by the Company.

(2) Includes shares underlying performance-based restricted stock units (awarded to the members of the Company's managing committee and settled in shares of the Company's common stock on a one-for-one basis) and restricted stock units (settled in shares of the Company's common stock on a one-for-one basis) under the 2015 Plan, the 2007 Plan and the 2001 Plan. No exercise price is paid upon vesting, and thus, no exercise price is included in the table.

Includes an aggregate upward adjustment of 39,548 units subsequent to December 31, 2016, made to performance-based restricted stock units granted in 2016, to reflect the difference between (a) the number of units earned based on actual 2016 Company performance compared to absolute and relative targets set forth in each recipient's award agreement and (b) the target number of units granted to managing committee members in February 2016.

Excludes 413,850 unvested shares of restricted stock awarded under the 2007 Plan. These unvested shares were issued when awarded and consequently are included in the number of common shares outstanding.

(3) The 40,685,926 shares available for future issuance are reserved under the 2015 Plan. Future awards under the 2015 Plan may be made in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, stock awards, or other stock-based awards.

(4) These shares of common stock are issuable pursuant to various current and former deferred compensation plans of U.S. Bancorp and its predecessor entities. No exercise price is paid when shares are issued pursuant to the deferred compensation plans.

The deferred compensation plans allow non-employee directors and members of senior management to defer all or part of their compensation until the earlier of retirement or termination of employment. The deferred compensation is deemed to be invested in one of several investment alternatives at the option of the participant, including shares of U.S. Bancorp common stock. Deferred compensation deemed to be invested

in U.S. Bancorp stock will be received in the form of shares of U.S. Bancorp common stock at the time of distribution, unless the Company chooses cash payment.

The 521,344 shares included in the table assume that participants in the plans whose deferred compensation had been deemed to be invested in U.S. Bancorp common stock had elected to receive all of that deferred compensation in shares of U.S. Bancorp common stock on December 31, 2016. The U.S. Bank Executive Employees Deferred Compensation Plan (2005 Statement) and the U.S. Bank Outside Directors Deferred Compensation Plan (2005 Statement) are the Company's only deferred compensation plans under which compensation may currently be deferred.

Additional Information

Additional information in response to this Item 12 can be found in the Company's Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management." That information is incorporated into this report by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information in response to this Item 13 can be found in the Company's Proxy Statement under the headings "Corporate Governance — Director Independence," "Corporate Governance — Committee Member Qualifications" and "Certain Relationships and Related Transactions." That information is incorporated into this report by reference.

Item 14. *Principal Accounting Fees and Services*

Information in response to this Item 14 can be found in the Company's Proxy Statement under the headings "Audit Committee Report and Payment of Fees to Auditor — Fees to Independent Auditor" and "Audit Committee Report and Payment of Fees to Auditor — Administration of Engagement of Independent Auditor." That information is incorporated into this report by reference.

PART IV

Item 15. *Exhibits, Financial Statement Schedules*

List of documents filed as part of this report

1. Financial Statements

- Report of Management
- Report of Independent Registered Public Accounting Firm
- Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting
- U.S. Bancorp Consolidated Balance Sheet as of December 31, 2016 and 2015
- U.S. Bancorp Consolidated Statement of Income for each of the three years in the period ended December 31, 2016
- U.S. Bancorp Consolidated Statement of Comprehensive Income for each of the three years in the period ended December 31, 2016
- U.S. Bancorp Consolidated Statement of Shareholders' Equity for each of the three years in the period ended December 31, 2016
- U.S. Bancorp Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 2016
- Notes to Consolidated Financial Statements
- U.S. Bancorp Consolidated Balance Sheet — Five Year Summary (Unaudited)
- U.S. Bancorp Consolidated Statement of Income — Five Year Summary (Unaudited)
- U.S. Bancorp Quarterly Consolidated Financial Data (Unaudited)
- U.S. Bancorp Supplemental Financial Data (Unaudited)
- U.S. Bancorp Consolidated Daily Average Balance Sheet and Related Yields and Rates (Unaudited)

2. Financial Statement Schedules

All financial statement schedules for the Company have been included in the consolidated financial statements or the related footnotes, or are either inapplicable or not required.

3. Exhibits

Shareholders may obtain a copy of any of the exhibits to this report upon payment of a fee covering the Company's reasonable expenses in furnishing the exhibits. You can request exhibits by writing to Investor Relations, U.S. Bancorp, 800 Nicollet Mall, Minneapolis, Minnesota 55402.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation, as amended.
(1) 3.2	Amended and Restated Bylaws. Filed as Exhibit 3.1 to Form 8-K filed on January 20, 2016.

<u>Exhibit Number</u>	<u>Description</u>
4.1	[Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. U.S. Bancorp agrees to furnish a copy thereof to the SEC upon request.]
(1)(2) 10.1(a)	U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 10-K for the year ended December 31, 2001.
(1)(2) 10.1(b)	Amendment No. 1 to U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 10-K for the year ended December 31, 2002.
(1)(2) 10.2	U.S. Bancorp 2006 Executive Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on April 21, 2006.
(1)(2) 10.3	U.S. Bancorp Executive Deferral Plan, as amended. Filed as Exhibit 10.7 to Form 10-K for the year ended December 31, 1999.
(1)(2) 10.4	Summary of Nonqualified Supplemental Executive Retirement Plan, as amended, of the former U.S. Bancorp. Filed as Exhibit 10.4 to Form 10-K for the year ended December 31, 2001.
(1)(2) 10.5	Form of Director Indemnification Agreement entered into with former directors of the former U.S. Bancorp. Filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 1997.
(1)(2) 10.6(a)	U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 2002.
(1)(2) 10.6(b)	First, Second and Third Amendments of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 2003.
(1)(2) 10.6(c)	Fourth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1 to Form 8-K filed on December 23, 2004.
(1)(2) 10.6(d)	Fifth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.2 to Form 10-Q for the quarterly period ended March 31, 2005.
(1)(2) 10.6(e)	Sixth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1 to Form 8-K filed on October 20, 2005.
(1)(2) 10.6(f)	Seventh Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1(g) to Form 8-K filed on January 7, 2009.
(1)(2) 10.6(g)	Eighth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1(h) to Form 8-K filed on January 7, 2009.
(1)(2) 10.6(h)	Ninth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1(i) to Form 8-K filed on January 7, 2009.
(1)(2) 10.6(i)	Tenth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.1(j) to Form 8-K filed on January 7, 2009.
(1)(2) 10.6(j)	Eleventh Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.11(k) to Form 10-K for the year ended December 31, 2009.
(1)(2) 10.6(k)	Twelfth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.11(l) to Form 10-K for the year ended December 31, 2010.
(1)(2) 10.6(l)	Thirteenth Amendment of U.S. Bancorp Non-Qualified Executive Retirement Plan. Filed as Exhibit 10.6(l) to Form 10-K for the year ended December 31, 2013.

<u>Exhibit Number</u>	<u>Description</u>
(1)(2) 10.7(a)	U.S. Bancorp Executive Employees Deferred Compensation Plan. Filed as Exhibit 10.18 to Form 10-K for the year ended December 31, 2003.
(1)(2) 10.7(b)	2011 Amendment of U.S. Bancorp Executive Employees Deferred Compensation Plan. Filed as Exhibit 10.9(b) to Form 10-K for the year ended December 31, 2011.
(1)(2) 10.8(a)	U.S. Bancorp 2005 Executive Employees Deferred Compensation Plan. Filed as Exhibit 10.2 to Form 8-K filed on December 21, 2005.
(1)(2) 10.8(b)	First Amendment of U.S. Bancorp 2005 Executive Employees Deferred Compensation Plan effective as of January 31, 2009. Filed as Exhibit 10.2(b) to Form 8-K filed on January 7, 2009.
(1)(2) 10.8(c)	Second Amendment of U.S. Bancorp 2005 Executive Employees Deferred Compensation Plan effective as of January 1, 2010. Filed as Exhibit 10.13(c) to Form 10-K for the year ended December 31, 2010.
(1)(2) 10.8(d)	Third Amendment of U.S. Bancorp 2005 Executive Employees Deferred Compensation Plan. Filed as Exhibit 10.10(d) to Form 10-K for the year ended December 31, 2011.
(1)(2) 10.9(a)	U.S. Bancorp Outside Directors Deferred Compensation Plan. Filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 2003.
(1)(2) 10.9(b)	2011 Amendment of U.S. Bancorp Outside Directors Deferred Compensation Plan. Filed as Exhibit 10.11(b) to Form 10-K for the year ended December 31, 2011.
(1)(2) 10.10(a)	U.S. Bancorp 2005 Outside Directors Deferred Compensation Plan. Filed as Exhibit 10.1 to Form 8-K filed on December 21, 2005.
(1)(2) 10.10(b)	First Amendment of U.S. Bancorp 2005 Outside Directors Deferred Compensation Plan effective as of January 31, 2009. Filed as Exhibit 10.3(b) to Form 8-K filed on January 7, 2009.
(1)(2) 10.10(c)	Second Amendment of U.S. Bancorp 2005 Outside Directors Deferred Compensation Plan. Filed as Exhibit 10.12(c) to Form 10-K for the year ended December 31, 2011.
(1)(2) 10.11	Form of Executive Officer Stock Option Agreement with cliff and performance vesting under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 10-Q for the quarterly period ended September 30, 2004.
(1)(2) 10.12	Form of Executive Officer Stock Option Agreement with annual vesting under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 10-Q for the quarterly period ended September 30, 2004.
(1)(2) 10.13	Form of 2006 Executive Officer Stock Option Agreement with annual vesting under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on January 17, 2006.
(1)(2) 10.14	Form of Director Stock Option Agreement under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.4 to Form 10-Q for the quarterly period ended September 30, 2004.
(1)(2) 10.15(a)	Form of Director Restricted Stock Unit Award Agreement under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.5 to Form 10-Q for the quarterly period ended September 30, 2004.
(1)(2) 10.15(b)	Form of Amendment to Director Restricted Stock Unit Award Agreements under U.S. Bancorp 2001 Stock Incentive Plan dated as of December 31, 2008. Filed as Exhibit 10.5(b) to Form 8-K filed on January 7, 2009.

<u>Exhibit Number</u>	<u>Description</u>
(1)(2) 10.16	Form of Executive Officer Restricted Stock Unit Award Agreement under U.S. Bancorp 2001 Stock Incentive Plan. Filed as Exhibit 10.6 to Form 10-Q for the quarterly period ended September 30, 2004.
(1)(2) 10.17	U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on April 20, 2010.
(1)(2) 10.18	Form of 2007 Non-Qualified Stock Option Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 8-K filed on April 18, 2007.
(1)(2) 10.19	Form of Non-Qualified Stock Option Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2008. Filed as Exhibit 10.8(a) to Form 8-K filed on January 7, 2009.
(1)(2) 10.20	Form of Non-Qualified Stock Option Agreement for Executive Officers (as approved January 16, 2012) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 8-K filed on January 18, 2012.
(1)(2) 10.21	Form of Non-Qualified Stock Option Agreement for Executive Officers (as approved November 14, 2012) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 8-K filed on November 19, 2012.
(1)(2) 10.22	Form of Non-Qualified Stock Option Agreement for Executive Officers (as approved December 9, 2013) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.2 to Form 8-K filed on December 13, 2013.
(1)(2) 10.23	Form of Non-Qualified Stock Option Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2014. Filed as Exhibit 10.2 to Form 8-K filed on December 31, 2014.
(1)(2) 10.24	Form of Restricted Stock Award Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2008. Filed as Exhibit 10.9(a) to Form 8-K filed on January 7, 2009.
(1)(2) 10.25	Form of Restricted Stock Award Agreement under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 10-Q filed for the quarterly period ended September 30, 2012.
(1)(2) 10.26	Form of Restricted Stock Unit Award Agreement under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2013. Filed as Exhibit 10.27 to Form 10-K for the year ended December 31, 2013.
(1)(2) 10.27	Form of Restricted Stock Unit Award Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2008. Filed as Exhibit 10.10(a) to Form 8-K filed on January 7, 2009.
(1)(2) 10.28	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2008. Filed as Exhibit 10.1 to Form 8-K filed on March 6, 2009.
(1)(2) 10.29	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers (as approved February 14, 2011) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on February 16, 2011.
(1)(2) 10.30	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers (as approved January 16, 2012) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on January 18, 2012.

<u>Exhibit Number</u>	<u>Description</u>
(1)(2) 10.31	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers (as approved November 14, 2012) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on November 19, 2012.
(1)(2) 10.32	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers (as approved December 9, 2013) under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on December 13, 2013.
(1)(2) 10.33	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2014. Filed as Exhibit 10.1 to Form 8-K filed on December 31, 2014.
(1)(2) 10.34	Form of 2007 Restricted Stock Unit Award Agreement for Non-Employee Directors under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 10-Q/A for the quarterly period ended September 30, 2007.
(1)(2) 10.35	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2008. Filed as Exhibit 10.11(a) to Form 8-K filed on January 7, 2009.
(1)(2) 10.36	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under U.S. Bancorp Amended and Restated 2007 Stock Incentive Plan to be used after December 31, 2013. Filed as Exhibit 10.37 to Form 10-K for the year ended December 31, 2013.
(1)(2) 10.37	U.S. Bancorp 2015 Stock Incentive Plan. Filed as Exhibit 10.1 to Form 8-K filed on April 23, 2015.
(1)(2) 10.38	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under U.S. Bancorp 2015 Stock Incentive Plan (in use for grants made through 2016). Filed as Exhibit 10.2 to Form 8-K filed on April 23, 2015.
(1)(2) 10.39	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers under U.S. Bancorp 2015 Stock Incentive Plan (in use for grants made through 2016). Filed as Exhibit 10.3 to Form 8-K filed on April 23, 2015.
(1)(2) 10.40	Form of Stock Option Award Agreement for Executive Officers under U.S. Bancorp 2015 Stock Incentive Plan (in use for grants made through 2016). Filed as Exhibit 10.4 to Form 8-K filed on April 23, 2015.
(2) 10.41	Form of Restricted Stock Unit Agreement used for December 2016 grant to Gunjan Kedia under U.S. Bancorp 2015 Stock Incentive Plan.
(2) 10.42	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under U.S. Bancorp 2015 Stock Incentive Plan (used for grants made after January 1, 2017).
(2) 10.43	Form of Performance Restricted Stock Unit Award Agreement for Executive Officers under U.S. Bancorp 2015 Stock Incentive Plan (used for grants made after January 1, 2017).
(2) 10.44	Form of Stock Option Award Agreement for Executive Officers under U.S. Bancorp 2015 Stock Incentive Plan (used for grants made after January 1, 2017).
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
13	2016 Annual Report, pages 21 through 160.
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
24	Power of Attorney.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

<u>Exhibit Number</u>	<u>Description</u>
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 Annual Report on Form 10-K of the Company for the year ended December 31, 2016, 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.

(1) *Exhibit has been previously filed with the SEC and is incorporated herein as an exhibit by reference to the prior filing.*

(2) *Management contracts or compensatory plans or arrangements .*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on February 23, 2017, on its behalf by the undersigned, thereunto duly authorized.

U.S. BANCORP

By /s/ RICHARD K. DAVIS

Richard K. Davis

Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 23, 2017, by the following persons on behalf of the registrant and in the capacities indicated.

Signature and Title

/s/ RICHARD K. DAVIS

Richard K. Davis,
Chairman and Chief Executive Officer
(principal executive officer)

/s/ TERRANCE R. DOLAN

Terrance R. Dolan,
Vice Chairman and Chief Financial Officer
(principal financial officer)

/s/ CRAIG E. GIFFORD

Craig E. Gifford,
Executive Vice President and Controller
(principal accounting officer)

DOUGLAS M. BAKER, JR. *

Douglas M. Baker, Jr., Director

WARNER L. BAXTER *

Warner L. Baxter, Director

MARC N. CASPER *

Mark N. Casper, Director

/s/ ANDREW C. ECERE

Andrew Cecere, Director

ARTHUR D. COLLINS, JR. *

Arthur D. Collins, Jr., Director

KIMBERLY J. HARRIS *

Kimberly J. Harris, Director

ROLAND A. HERNANDEZ *

Roland A. Hernandez, Director

DOREEN WOO HO *

Doreen Woo Ho, Director

Signature and Title

O LIVIA F. K IRTLEY *

Olivia F. Kirtley, Director

K AREN S. L YNCH *

Karen S. Lynch, Director

D AVID B. O' MALEY *

David B. O'Maley, Director

O' DELL M. O WENS , M.D., M.P.H.*

O'Dell M. Owens, M.D., M.P.H., Director

C RAIG D. S CHNUCK *

Craig D. Schnuck, Director

S COTT W. W INE *

Scott W. Wine, Director

* *Andrew Cecere, by signing his name hereto, does hereby sign this document on behalf of each of the above named directors of the registrant pursuant to powers of attorney duly executed by such persons.*

Dated: February 23, 2017

By: /s/ A NDREW C ECERE

Andrew Cecere

Attorney-In-Fact

President and Chief Operating Officer

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 G Non-Cumulative Perpetual Preferred Stock

Exhibit F Series H 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 June, 2013.

U.S. BANCORP

By: /s/ James L. Chosy

James L. Chosy

Executive Vice President, General Counsel and 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 G NON-CUMULATIVE PERPETUAL PREFERRED STOCK
OF
U.S. BANCORP

Section 1. Designation . The designation of the series of preferred stock shall be Series G Non-Cumulative Perpetual Preferred Stock (hereinafter referred to as the “*Series G Preferred Stock*”). Each share of Series G Preferred Stock shall be identical in all respects to every other share of Series G Preferred Stock. Series G 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 G Preferred Stock shall be 49,910. 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 G 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 G Preferred Stock.

Section 3. Definitions . As used herein with respect to Series G 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 G 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 G 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 G Preferred Stock, (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of Series G 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 G 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 G 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 G 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 G 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, 2017, 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 April 15, 2017, 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, 2017. 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 G Preferred Stock upon request and will be final and binding in the absence of manifest error.

Section 4. Dividends .

(a) Rate . Holders of Series G 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 G 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 G 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 G 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 April 15, 2017 at a rate *per annum* equal to 6.00%, and (ii) thereafter for each related Dividend Period at a rate *per annum* equal to Three-Month LIBOR plus 4.86125%. The record date for payment of dividends on the Series G 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, 2017 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 G 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 G Preferred Stock shall be non-cumulative. To the extent that any dividends payable on the shares of Series G 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 G 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 G 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 G 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 G 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 G 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 G Preferred Stock and any Parity Stock, all dividends declared upon shares of Series G 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 G 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 G 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 G 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 G 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 G 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 G 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 G 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 G Preferred Stock and all holders of any Parity Stock, the amounts paid to the holders of Series G 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 G 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 G 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 G Preferred Stock at the time outstanding, at any time on or after the Dividend Payment Date in April, 2017, upon notice given as provided in Section 6(b) below. The redemption price for shares of Series G 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 G 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 G 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 G 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 G Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series G Preferred Stock. Each notice shall state (i) the redemption date; (ii) the number of shares of Series G 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 G Preferred Stock at the time outstanding, the shares of Series G Preferred Stock to be redeemed shall be selected either *pro rata* from the holders of record of Series G Preferred Stock in proportion to the number of Series G 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 G 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 G 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 G 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 G Preferred Stock, taken as a whole; provided, however, that any increase in the amount of the authorized or issued Series G 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 G 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 G 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 G 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 G 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 G Preferred Stock or any other class or series of preferred stock that ranks on parity with the Series G 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 G 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 G Preferred Stock and any other class or series of preferred stock that ranks on parity with the Series G 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 G Preferred Stock and any other class or series of the Corporation's stock that ranks on parity with Series G 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 G 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 G Preferred Stock, and any other class or series of preferred stock that ranks on parity with Series G 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 G 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 G 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 G Preferred Stock and any other class or series of preferred stock that ranks on parity with Series G Preferred Stock as to payment of dividends, if any, for at least four consecutive Dividend Periods, then the right of the holders of Series G 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 G 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 G Preferred Stock shall not have any rights to convert such Series G 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 G 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 G 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 G 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 G 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 G Preferred Stock are not subject to the operation of a sinking fund.

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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.

* * * * *

[As filed with the Delaware Secretary of State on June 19, 2013.]

CERTIFICATE OF DESIGNATIONS
OF
SERIES I 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 October 19, 2015, the Risk Management 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 I Non-Cumulative Perpetual Preferred Stock, \$1.00 par value (the “Series I 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 I Preferred Stock.

2. Thereafter, on November 16, 2015, the Subcommittee duly adopted the following resolution by written consent:

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

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice Chairman and Chief Financial Officer this 18th day of November, 2015.

U.S. BANCORP

By: /s/ Kathleen Ashcraft Rogers
Kathleen Ashcraft Rogers
Vice Chairman and Chief Financial Officer

EXHIBIT A
TO
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 “*Depositary 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 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.

* * * * *

[As filed with the Delaware Secretary of State on November 18, 2015.]

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

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

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

1. On January 17, 2017, 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 J Non-Cumulative Perpetual Preferred Stock, \$1.00 par value (the “Series J 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 J Preferred Stock.

2. Thereafter, on February 2, 2017, the Subcommittee duly adopted the following resolution by written consent:

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

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice Chairman and Chief Financial Officer this 8th day of February, 2017.

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 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 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 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.

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[As filed with the Delaware Secretary of State on February 8, 2017.]

NOTE: This Restricted Stock Unit Award Agreement is applicable to restricted stock unit awards made to certain employees (“Participants”) of U.S. Bancorp (the “Company”) on and after April 21, 2015. These restricted stock unit awards will have the terms and conditions set forth in each Participant’s award summary (the “Award Summary”), which can be accessed on the Morgan Stanley Website at www.stockplanconnect.com (or the website of any other stock plan administrator selected by the Company in the future). The Award Summary may be viewed at any time on this Website, and the Award Summary may also be printed out. In addition to the individual terms and conditions set forth in the Award Summary, each restricted stock unit award will have the terms and conditions set forth in the form of Restricted Stock Unit Award Agreement below. As a condition of each restricted stock unit award, Participant accepts the terms and conditions of the Award Summary and the Restricted Stock Unit Award Agreement.

**U.S. BANCORP
RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS AGREEMENT, together with the Award Summary which is incorporated herein by reference (collectively, the “Agreement”) sets forth the terms and conditions of a restricted stock unit award (“RSU Award”) representing the right to receive shares of common stock of the Company, par value \$0.01 per share (the “Common Stock”). The grant of the RSU Award is pursuant to the Company’s 2015 Stock Incentive Plan, which was approved by shareholders on April 21, 2015 (the “Plan”) and is subject to its terms. Capitalized terms that are not defined in the Agreement shall have the meaning ascribed to such terms in the Plan.

The Company and Participant agree as follows:

1. Award

Subject to the terms and conditions of the Plan and the Agreement, the Company grants to Participant an RSU Award entitling the Participant to the number of restricted stock units (the “Units”) set forth in Participant’s Award Summary. Each Unit represents the right to receive one share of Common Stock, subject to the vesting requirements and distribution provisions of the Agreement and the terms of the Plan. The shares of Common Stock distributable to Participant with respect to the Units granted hereunder are referred to as the “Shares.” Participant’s Award Summary sets forth the date of grant of this award (the “Grant Date”).

2. Vesting; Forfeiture

(a) *Forfeiture if No Confidentiality and Non-solicitation Agreement on File*. This RSU Award is conditioned upon the timely execution of a Confidentiality and Non-solicitation Agreement between the Company or an Affiliate and Participant, in a form acceptable to the Company (a “CNS Agreement”). If a properly executed CNS Agreement is not on file with the Company on the Grant Date, then, on or before the 60th day following the Grant Date, Participant must execute and deliver to the Company a CNS Agreement in a form satisfactory to the Company. If a CNS Agreement is not on file with the Company on or before the 60th day following the Grant Date, the Units will be immediately and irrevocably forfeited and Participant shall have no rights hereunder.

(b) *Time-Based Vesting Conditions* . Subject to the terms and conditions of the Agreement, the Units shall vest in installments on the date or dates set forth in the Participant's Award Summary (each such date, a "Scheduled Vesting Date") if Participant remains continuously employed by the Company or an Affiliate of the Company until the applicable Scheduled Vesting Date. Except as otherwise provided in the Agreement, if Participant ceases to be an employee of the Company or any Affiliate prior to an applicable Scheduled Vesting Date, all Units that have not become vested previously in accordance with the Award Summary shall be immediately and irrevocably forfeited.

(c) *Vesting As a Result of Disability or Death* . Notwithstanding the vesting provision contained in Section 2(b) above, and subject to the other terms and conditions of the Agreement, if Participant dies or experiences a Disability (as defined in Section 10) while in the employ of the Company or any Affiliate prior to a Scheduled Vesting Date, then the Units will not be forfeited and will be paid out in accordance with Section 3(b) hereof. Notwithstanding the foregoing, the provisions of this Section 2(c) will apply only if Participant has at all times complied with the terms of the CNS Agreement.

(d) *Vesting As a Result of Participant's Eligibility to Retire* . Notwithstanding the vesting provision contained in Section 2(b) above, and subject to the terms and conditions of the Agreement, if, on the Grant Date, Participant is Eligible to Retire (as defined in Section 10), then the Units will become vested in the calendar year in which the Grant Date occurs and will be paid out in accordance with Section 3(c) hereof. If Participant is not Eligible to Retire as of the Grant Date, but has remained continuously employed by the Company or any Affiliate until Participant becomes Eligible to Retire, then the Units that are not vested as of such date will become vested in the calendar year in which Participant becomes Eligible to Retire, and will be paid out in accordance with Section 3(c). Notwithstanding the foregoing, the provisions of this Section 2(d) will apply only if Participant has at all times complied with the terms of the CNS Agreement.

(e) *Vesting As a Result of Qualifying Termination* . Notwithstanding the vesting provision contained in Section 2(b) above, and subject to the terms and conditions of the Agreement, if Participant has been continuously employed by the Company or any Affiliate until the date of a Qualifying Termination (as defined in Section 10), then the Units that are not vested at the time of such Qualifying Termination will not be forfeited, but instead will become vested in the calendar year in which the Qualifying Termination occurs, and will be paid out in accordance with Section 3(b) hereof. Notwithstanding the foregoing, the provisions of this Section 2(e) will apply only if Participant has at all times complied with the terms of the CNS Agreement.

(f) *Forfeiture on Termination of Employment for Cause and on Breach of Confidentiality Agreement* . Notwithstanding any other provisions in this Agreement, if Participant violates the terms of the CNS Agreement, all Units that have not been settled (and Shares delivered) previously shall be immediately and irrevocably forfeited. If Participant's employment with the Company is terminated for Cause, all Units that have not been settled (and Shares delivered) previously shall be immediately and irrevocably forfeited.

(g) *Special Risk-Related Cancellation Provisions*. Notwithstanding any other provision of the Agreement, if at any time subsequent to the Grant Date the Committee determines, in its sole discretion, that Participant has (i) failed to comply with Company policies and procedures, including the Code of Ethics and Business Conduct, (ii) violated any law or regulation, (iii) engaged in negligent or willful misconduct, or (iv) engaged in activity resulting in a significant or material control deficiency under the Sarbanes-Oxley Act of 2002, and such failure, violation, misconduct or activity (A) demonstrates an Inadequate Sensitivity (as defined below) to the inherent risks of Participant's business line or functional area, and (B) results in, or is reasonably likely to result in, a material adverse impact (whether financial or reputational) on the Company or Participant's business line or functional area, all or part of the Units granted under the Agreement that have not been settled (and Shares delivered) at the time of such determination may be cancelled, and, if so cancelled, Participant will have no rights with respect to the Units. "Inadequate Sensitivity" means Participant has engaged in imprudent activities that subject the Company to risk outcomes in future periods, including risks that may not be apparent at the time the activities are undertaken.

3. Distribution of Shares with Respect to Units

Subject to the restrictions in this Section 3, following the vesting of Units and following the payment of any applicable withholding taxes pursuant to Section 7, the Company shall cause to be issued and delivered to Participant (including through book entry) Shares registered in the name of Participant or in the name of Participant's legal representatives, beneficiaries or heirs, as the case may be, as follows:

(a) *Scheduled Vesting Date Distributions*. As soon as administratively feasible following each Scheduled Vesting Date (but in no event later than December 31st of the year in which such Scheduled Vesting Date occurs), all Shares issuable pursuant to Units that become vested as of such Scheduled Vesting Date (and with respect to which Shares have not been distributed previously) shall be distributed to Participant.

(b) *Distributions As a Result of a Qualifying Termination, Disability or Death*. In the event of a Participant's Qualifying Termination, Disability or death, all Shares issuable pursuant to Units that become vested as a result of such event (and with respect to which Shares have not been distributed previously) shall be distributed to Participant (or Participant's estate, as the case may be) on or before March 15th of the calendar year immediately following the year in which the event occurs.

(c) *Distributions As a Result of Participant's Eligibility to Retire*. If Participant is Eligible to Retire on the Grant Date, then all Units granted pursuant to this RSU Award will be settled and Shares will be distributed on or before March 15th of the calendar year immediately following the year in which the Grant Date occurs. If Participant is not Eligible to Retire as of the Grant Date, but remains continuously employed by the Company or any Affiliate until Participant becomes Eligible to Retire, then Units that have not been settled previously will be settled (and Shares will be delivered) on or before March 15th of the calendar year immediately following the year in which Participant becomes Eligible to Retire.

In the event that the number of Shares distributable pursuant to this Section 3 is a number that is not a whole number, then the number of Shares distributed shall be rounded down to the nearest whole number.

4. Rights as Shareholder; Dividend Equivalents

Prior to the distribution of Shares with respect to Units pursuant to Section 3 above, Participant shall not have ownership or rights of ownership of any Shares underlying the Units; provided, however, that Participant shall be entitled to receive cash Dividend Equivalents on outstanding Units (i.e. Units that have not been forfeited or settled), whether vested or unvested, when cash dividends are declared by the Company's Board of Directors on the Common Stock. Such Dividend Equivalents will be in an amount of cash per Unit equal to the cash dividend paid with respect to a share of outstanding Common Stock. For avoidance of doubt, Participant will be eligible to receive Dividend Equivalents with respect to unvested Units only if Participant remains in continuous employment with the Company or an Affiliate through the applicable dividend record date as declared by the Board. Dividend Equivalents will be paid to Participant on the same payment dates as dividends to holders of the Common Stock are paid. Dividend Equivalents are subject to income and payroll tax withholding by the Company.

5. Restriction on Transfer

Except for transfers by will or the applicable laws of descent and distribution, the Units cannot be sold, assigned, transferred, gifted, pledged, or in any manner encumbered, alienated, attached or disposed of, and any purported sale, assignment, transfer, gift, pledge, alienation, attachment or encumbrance shall be void and unenforceable against the Company. No such attempt to transfer the Units, whether voluntary or involuntary, by operation of law or otherwise (except by will or laws of descent and distribution), shall vest the purported transferee with any interest or right in or with respect to the Units or the Shares issuable with respect to the Units.

6. Securities Law Compliance

The delivery of all or any of the Shares in accordance with this Award shall be effective only at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of the Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares. The Company may, in its sole discretion, delay the delivery of the Shares or place restrictive legends on such Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of the New York Stock Exchange or any other exchange upon which the Company's Common Stock is traded.

7. Income Tax Withholding

In order to comply with all applicable federal, state, local and foreign income and payroll tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable withholding, income or other taxes, which are the sole and absolute responsibility of Participant, are withheld or collected from Participant. Without limiting the foregoing, the Company may, but is not obligated to, permit or require the satisfaction of tax withholding obligations through net Share settlement at the time of delivery of Shares (i.e. the Company withholds a portion of the Shares otherwise to be delivered with a Fair Market Value equal to the amount of such taxes, but only to the extent necessary to satisfy certain statutory withholding requirements to avoid adverse accounting treatment under ASC 718) or through an open market sale of Shares otherwise to be delivered, in each case pursuant to such rules and procedures as may be established by the Company.

8. Miscellaneous

(a) The Agreement is issued pursuant to the Plan and is subject to its terms. The Plan is available for inspection during business hours at the principal office of the Company. In addition, the Plan may be viewed on the Morgan Stanley Website at www.stockplanconnect.com (or the website of any other stock plan administrator selected by the Company in the future).

(b) The Agreement shall not confer on Participant any right with respect to continuance of employment with the Company or any Affiliate, nor will it interfere in any way with the right of the Company or any Affiliate to terminate such employment at any time.

(c) Participant acknowledges that the grant, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares issued with respect to the Units hereunder may have tax consequences pursuant to the Code or under local, state or international tax laws. It is intended that the Award shall be exempt from Section 409A of the Code pursuant to Treasury Regulations Section 1.409A-1(b)(4), and the provisions of the Agreement and the Plan shall be construed and administered accordingly. Any amendment or modification of the Award (to the extent permitted under the terms of the Plan), will be undertaken in a manner intended to comply with Section 409A, to the extent applicable. Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of the Award. Participant acknowledges that Participant is relying solely and exclusively on Participant's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, vesting, amendment, or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Award, is solely and exclusively the responsibility of Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Participant for such taxes or other items.

9. **Venue**

Any claim or action brought with respect to this Award shall be brought in a federal or state court located in Minneapolis, Minnesota.

10. **Definitions**

For purposes of the Agreement, the following terms shall have the definitions as set forth below:

(a) **“Disability”** means qualifying for and receiving disability benefits under the Company’s long-term disability programs as in effect from time to time.

(b) **“Eligible to Retire”** means a Participant is age 59-1/2 or older and has had 10 or more years of employment with the Company or its Affiliates following such Participant’s most recent date of hire by the Company or its Affiliates.

(c) **“Qualifying Termination”** means Participant’s termination of employment with the Company and its Affiliates by the Company for any reason other than Cause within 12 months following a Change in Control, provided that such a termination will not be a Qualifying Termination if: (i) the Company has notified Participant in writing more than 30 days prior to the Announcement Date that Participant’s employment is not expected to continue for more than 12 months following the date of such notification, and Participant’s employment is in fact terminated within such 12-month period; or (ii) Participant has announced in writing, prior to the date the Company provides a Notice of Termination to Participant, that Participant intends to terminate his or her employment. For purposes of this definition, the term Company shall be deemed to include any Person that has assumed this RSU Award (or provided a substitute award to Participant) in connection with a Change in Control.

NOTE: Restricted stock unit awards made to non-employee directors (“Participants”) of U.S. Bancorp (the “Company”) after January 1, 2017 will have the terms and conditions set forth in each Participant’s grant detail (the “Grant Detail”), which can be accessed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future). The Grant Detail may be viewed at any time on this Website, and the Grant Detail may also be printed out. In addition to the individual terms and conditions set forth in the Grant Detail, each restricted stock unit award will have the terms and conditions set forth in the form of Restricted Stock Unit Award Agreement below. As a condition to each restricted stock unit award, Participant accepts the terms and conditions of the Grant Detail and the Restricted Stock Unit Award Agreement.

**U.S. BANCORP
RESTRICTED STOCK UNIT AWARD AGREEMENT FOR DIRECTORS**

THIS AGREEMENT, together with the Grant Detail which is incorporated herein by reference (collectively, the “Agreement”), sets forth the terms and conditions of a restricted stock unit award (this “RSU Award”) representing the right to receive shares of Common Stock, par value \$0.01 per share (the “Common Stock”), of the Company. The grant of this RSU Award is pursuant to the Company’s 2015 Stock Incentive Plan, which was approved by shareholders on April 21, 2015 (the “Plan”), and is subject to its terms. Capitalized terms that are not defined in the Agreement shall have the meaning ascribed to such terms in the Plan.

The Company and Participant agree as follows:

1. Award.

Subject to the terms and conditions of the Plan and the Agreement, the Company grants to Participant this RSU Award entitling the Participant to the number of restricted stock units (the “Units”) set forth in Participant’s Grant Detail. Each Unit represents the right to receive one share of Common Stock, subject to the vesting requirements and distribution provisions of the Agreement and the terms of the Plan. The shares of Common Stock distributable with respect to the Units granted hereunder are referred to as the “Shares.” Participant’s Grant Detail sets forth the date of grant of this RSU Award (the “Award Date”).

2. Vesting and Forfeiture.

- (a) Except as otherwise expressly provided in this Agreement, the Units shall be fully vested as of the Award Date.
- (b) If Participant is removed as a director by the Company’s shareholders for cause, all Units shall be forfeited as of the date of such removal. Upon forfeiture, Participant shall have no rights relating to the Units (including, without limitation, any rights to receive a distribution of Shares with respect to the Units pursuant to Section 3 or to receive additional Units pursuant to Section 5).

3. Distribution Provisions.

The Company shall deliver to Participant one Share for each vested Unit in accordance with the following provisions of this Section 3:

- (a) Separation From Service for Reasons other than Death. Upon Participant's Separation From Service (as defined in Section 3(a)(3) below) for reasons other than death, the vested Units will be settled and the Shares will be delivered to Participant as follows:
- (1) General Rule. Unless Participant has made a timely installment election in accordance with Section 3(a)(2), all vested Units will be settled, and the Company shall deliver to Participant one Share for each vested Unit (including Dividend Equivalent Units (as defined in Section 5) received pursuant to Section 5), at the time of Participant's Separation From Service, or as soon thereafter as administratively feasible, but in no event later than ninety (90) days following the date of Participant's Separation From Service. The date of delivery of the Shares is referred to as the "Distribution Date."
 - (2) Installment Distribution Election. If Participant has made a timely written election, in a form acceptable to the Company (which election may be made by electronic communication) and in compliance with the requirements of Section 409A of the Code, to receive distributions of Shares in settlement of all vested Units in ten (10) annual installments, then the distribution of the Shares will occur in ten (10) substantially equal annual distributions. The number of Shares delivered in each annual distribution will be determined by dividing the total number of Units outstanding under this RSU Award (including Dividend Equivalent Units received pursuant to Section 5) immediately prior to the Installment Distribution Date (as defined below) by the number of remaining installments. The first distribution will occur as soon as administratively feasible following Participant's Separation From Service. The remaining annual distributions will occur on the following nine (9) anniversary dates of Participant's Separation From Service, or as soon as administratively feasible following such anniversary dates. The date of delivery of the Shares distributed in each annual distribution is referred to as an "Installment Distribution Date." Except as otherwise permitted under Section 409A of the Code, an installment distribution election is irrevocable and must be made by the end of the calendar year prior to the year in which the services giving rise to the award of Units are performed.
 - (3) Separation from Service. "Separation from Service" means the first date on which Participant (i) has ceased to serve on the Board of the Company, and (ii) is not providing services as an independent contractor to the Company or to any other entity with which the Company would be considered to be a single employer under Section 414(b) and/or 414(c) of the Code, and the Company does not reasonably anticipate that Participant will provide such services in the future.

Notwithstanding the foregoing, if Participant is a Specified Employee (as defined below) at the time of Participant's Separation from Service, no Shares will be distributed to Participant until the date that is six months and one day after the date of the Separation from Service.

“Specified Employee” means a Participant who is a specified employee for purposes of section 1.409A-1(i) of the U.S. Treasury Regulations and determined pursuant to the rules and procedures set forth in the separate document entitled “U.S. Bank Specified Employee Determination.”

- (b) Death. Notwithstanding the provisions of Section 3(a), if Participant dies before the full distribution of Shares with respect to the Units, all Units (including Dividend Equivalent Units received pursuant to Section 5) that remain outstanding will be settled, and Shares will be delivered to the representatives of Participant or to any Person to whom the Units have been transferred by will or the applicable laws of descent and distribution on the date that is sixty (60) days following Participant’s death.
- (c) No Fractional Shares. In the event that the number of Shares distributable pursuant to this Section 3 is a number that is not a whole number, then the number of Shares distributed shall be rounded down to the nearest whole number.
- (d) Ownership of Shares. Participant shall have no right, title or interest in, or, except as provided in Section 5, no right to receive distributions in respect of, or otherwise be considered the owner of, any of the Shares, unless and until the Shares have been distributed pursuant to Section 3(a) or (b).

4. Restriction on Transfer .

Except for transfers by will or the applicable laws of descent and distribution, the Units cannot be sold, assigned, pledged, alienated, attached or otherwise transferred or encumbered, and any purported transfer shall be void and unenforceable against the Company. No attempt to transfer the Units, whether voluntary or involuntary, by operation of law or otherwise (except by will or laws of descent and distribution) shall vest the purported transferee with any interest or right in or with respect to the Units or the Shares.

5. Dividend Equivalents .

To the extent that the Company declares cash dividends on shares of Common Stock after the Award Date and prior to the Distribution Date or an Installment Distribution Date, as applicable, Participant shall be entitled to receive additional Units (“Dividend Equivalent Units”) on each dividend payment date (the “Dividend Payment Date”) (including any dividend declared prior to a Distribution Date or Installment Distribution Date, as applicable, and payable after such date, which, for purposes of this Section 5, shall be deemed paid on the Distribution Date or the Installment Distribution Date, as applicable) having a Fair Market Value on the Dividend Payment Date equal to the amount of cash dividends payable with respect to the number of shares of Common Stock distributable pursuant to the Units. Dividend Equivalent Units shall be vested as of the Dividend Payment Date.

6. Securities Law Compliance .

The delivery of all or any of the Shares in accordance with this RSU Award shall be effective only at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of the Shares under the

Securities Act of 1933 or to effect any state registration or qualification of the Shares. The Company may, in its sole discretion, (i) delay the delivery of the Shares; or (ii) place restrictive legends on such Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of the New York Stock Exchange or any other exchange upon which the Company's Common Stock is traded.

7. Miscellaneous.

- (a) The Company shall at all times during the term of this Agreement reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.
- (b) The Award is issued under the Plan and is subject to its terms. The Plan is available for inspection during business hours at the principal offices of the Company. In addition, the Plan may be viewed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future).
- (c) Participant acknowledges that the grant and vesting of, or any distribution with respect to, this RSU Award, and the sale or other taxable disposition of the Shares issued with respect to the Units hereunder, may have tax consequences pursuant to the Code or under local, state or international tax laws. It is intended that the Plan, this Agreement and any permitted installment distribution election as described in Section 3(a) shall comply with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, and the provisions of this Agreement shall be construed and administered accordingly. Any amendment or modification of the Award (to the extent permitted under the terms of the Plan), will be undertaken in a manner intended to comply with Section 409A, to the extent applicable. Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of the Award. Participant acknowledges that Participant is relying solely and exclusively on Participant's own professional tax and investment advisors with respect to any and all such tax matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Participant understands and agrees that any and all tax consequences resulting from this RSU Award and its grant, vesting, amendment or any distribution with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to this RSU Award, is solely and exclusively the responsibility of Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Participant for such taxes.

8. Venue.

Any claim or action brought with respect to this RSU Award shall be brought in a federal or state court located in Minneapolis, Minnesota.

NOTE: This Performance Restricted Stock Unit Award Agreement is applicable to performance restricted stock unit awards made to members of the Managing Committee (“Participants”) of U.S. Bancorp (the “Company”) on and after January 1, 2017. These performance restricted stock unit awards have the terms and conditions set forth in (a) each Participant’s grant detail (the “Grant Detail”), which can be accessed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future), and (b) the form of Exhibit A hereto (which will be completed to include all information called for therein) (the “Completed Exhibit A”) provided to such Participant as soon as administratively feasible following the date on which the award is made. The Grant Detail may be viewed at any time on this Website, and the Grant Detail may also be printed out. In addition to the individual terms and conditions set forth in the Grant Detail and the Completed Exhibit A, each performance restricted stock unit award will have the terms and conditions set forth in the form of Performance Restricted Stock Unit Award Agreement below. As a condition of each performance restricted stock unit award, Participant accepts the terms and conditions of the Performance Restricted Stock Unit Award Agreement, the Grant Detail and the Completed Exhibit A.

**U.S. BANCORP
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**

THIS AGREEMENT, together with the Grant Detail and the Completed Exhibit A which are incorporated herein by reference (collectively, the “Agreement”), sets forth the terms and conditions of a performance restricted stock unit award representing the right to receive shares of common stock of the Company, par value \$0.01 per share (the “Common Stock”). The grant of this performance restricted stock unit award is made pursuant to the Company’s 2015 Stock Incentive Plan, which was approved by shareholders on April 21, 2015 (the “Plan”) and is subject to its terms. Capitalized terms that are not defined in the Agreement shall have the meaning ascribed to such terms in the Plan.

The Company and Participant agree as follows:

1. Award

Subject to the terms and conditions of the Plan and the Agreement, the Company grants to Participant a performance restricted stock unit award entitling Participant to the number of performance restricted stock units (the “Units”) equal to the “Target Award Number” set forth in Participant’s Grant Detail (such number of units, the “Target Award Number”). The Target Award Number shall be adjusted upward or downward as provided in the Completed Exhibit A. The number of Units that Participant will receive under the Agreement, after giving effect to such adjustment, is referred to herein as the “Final Award Number.” Each Unit represents the right to receive one share of Common Stock, subject to the vesting requirements and distribution provisions of the Agreement and the terms of the Plan. The shares of Common Stock distributable to Participant with respect to the Units granted hereunder are referred to as the “Shares.” Participant’s Grant Detail sets forth the date of grant of this award (the “Grant Date”). The Completed Exhibit A sets forth (a) the performance period over which the Final Award Number will be determined (the “Performance Period”), and (b) the date on which the Final Award Number will be determined (the “Determination Date”).

2. Vesting; Forfeiture

(a) *Time-Based Vesting Conditions*. Subject to the terms and conditions of the Agreement, the Units shall vest in installments on the date or dates set forth in the Participant’s Grant Detail (each such date, a “Scheduled Vesting Date”), if the Participant remains continuously employed by the Company or an Affiliate of the Company until the applicable Scheduled Vesting Date. Except as otherwise provided in the Agreement, if Participant ceases to be an employee of the Company or any Affiliate prior to an applicable Scheduled Vesting Date, all Units that have not become vested previously in accordance with the Grant Detail shall be immediately and irrevocably forfeited.

(b) *Continued Vesting Upon Separation From Service Due to Retirement or Disability* . Notwithstanding Section 2(a), if Participant has a Separation From Service (as defined in Section 10) with the Company or any Affiliate by reason of Disability (as defined in Section 10) or Retirement (as defined in Section 10), the Units shall not be forfeited, but rather, the Final Award Number will be determined in accordance with Section 1 (if not already determined prior to Retirement or Disability), and thereafter the Units shall continue to vest on the Scheduled Vesting Dates in accordance with Participant's Grant Detail, subject to the terms of the Agreement, including Section 2(f) hereof, as though such Separation From Service had never occurred, so long as the Participant has at all times since the Grant Date complied with the terms of any confidentiality and non-solicitation agreement between the Company or an Affiliate and the Participant.

(c) *Acceleration of Vesting upon Death* . If Participant ceases to be an employee by reason of death, or if Participant dies after a Separation From Service with the Company or an Affiliate due to Disability or Retirement but prior to any Scheduled Vesting Date, then the Units will become vested in accordance with this Section 2(c). If such death occurs prior to the last day of the Performance Period, a number of Units equal to the Target Award Number will vest upon Participant's death. If the death occurs on or after the last day of the Performance Period, then a number of Units equal to the Final Award Number will vest upon Participant's death. Notwithstanding the foregoing, such accelerated vesting shall occur only if the Participant has at all times since the Grant Date complied with the terms of any confidentiality and non-solicitation agreement between the Company or an Affiliate and the Participant.

(d) *Acceleration of Vesting Upon Qualifying Termination* . Notwithstanding the vesting provisions contained in Sections 2(a) through (c) above, but subject to the other terms and conditions of the Agreement, if Participant has been continuously employed by the Company or any Affiliate until the date of a Qualifying Termination (as defined in Section 10), then immediately upon such Qualifying Termination, Participant shall be vested in the number of Units determined in accordance with this Section 2(d). If the Qualifying Termination occurs prior to the last day of the Performance Period, a number of Units equal to the Target Award Number will vest upon such Qualifying Termination. If the Qualifying Termination occurs on or after the last day of the Performance Period, a number of Units equal to the Final Award Number will vest upon such Qualifying Termination.

(e) *Forfeiture on Termination of Employment for Cause and on Breach of Confidentiality Agreement* . If Participant violates the terms of any confidentiality and non-solicitation agreement between the Company or an Affiliate and the Participant, all Units that have not been settled (and Shares delivered) previously shall be immediately and irrevocably forfeited. If Participant's employment with the Company is terminated for Cause, all Units that have not been settled (and Shares delivered) previously shall be immediately and irrevocably forfeited. Upon forfeiture, Participant shall have no rights relating to the forfeited Units (including, without limitation, any rights to receive a distribution of Shares with respect to the Units and the right to receive Dividend Equivalents).

(f) *Special Risk-Related Cancellation Provisions*. Notwithstanding any other provision of the Agreement, if at any time subsequent to the Grant Date the Committee determines, in its sole discretion, that Participant has (i) failed to comply with Company policies and procedures, including the Code of Ethics and Business Conduct, (ii) violated any law or regulation, (iii) engaged in negligent or willful misconduct, or (iv) engaged in activity resulting in a significant or material control deficiency under the Sarbanes-Oxley Act of 2002, and such failure, violation, misconduct or activity (A) demonstrates an Inadequate Sensitivity (as defined below) to the inherent risks of Participant's business line or functional area, and (B) results in, or is reasonably likely to result in, a material adverse impact (whether financial or reputational) on the Company or Participant's business line or functional area, all or part of the Units granted under the Agreement that have not been settled (and Shares delivered) at the time of such determination may be cancelled, and, if so cancelled, Participant will have no rights with respect to the Units. "Inadequate Sensitivity" means Participant has engaged in imprudent activities that subject the Company to risk outcomes in future periods, including risks that may not be apparent at the time the activities are undertaken.

3. Distribution of Shares with Respect to Units

Subject to the restrictions in this Section 3, following the vesting of Units and following the payment of any applicable withholding taxes pursuant to Section 7 hereof, the Company shall cause to be issued and delivered to Participant (including through book entry) Shares registered in the name of Participant or in the name of Participant's legal representatives, beneficiaries or heirs, as the case may be, as follows:

(a) *Scheduled Vesting Date Distributions* . As soon as administratively feasible following each Scheduled Vesting Date (but in no event later than December 31st of the year in which such Scheduled Vesting Date occurs), all Shares issuable pursuant to Units that become vested as of such Scheduled Vesting Date (and with respect to which Shares have not been distributed previously) shall be distributed to Participant, or in the event of Participant's death, to the representatives of Participant or to any Person to whom the Units have been transferred by will or the applicable laws of descent and distribution.

(b) *Qualifying Termination Distributions* . As soon as administratively feasible following a Separation From Service in connection with a Qualifying Termination (but in no event later than 60 days following such Separation From Service), all Shares issuable pursuant to Units that become vested as a result of such Qualifying Termination (and with respect to which Shares have not been distributed previously) shall be distributed to Participant. Notwithstanding the foregoing, any Shares issuable to a Specified Employee (as defined in Section 10) as a result of a Separation From Service in connection with a Qualifying Termination will not be delivered to such Specified Employee until the date that is six months and one day after the date of the Separation From Service.

(c) *Distributions Following Retirement or Disability* . If a Participant has a Separation From Service with the Company or its Affiliates due to Retirement or Disability (so long as such Separation From Service is not in connection with a Qualifying Termination), the distribution of Shares with respect to Units will not be accelerated, and Shares will be distributed as soon as administratively feasible following the applicable Scheduled Vesting Dates (but in no event later than December 31st of the year in which such Scheduled Vesting Date occurs).

(d) *Distributions Following Death* . As soon as administratively feasible following the death of a Participant (but in no event later than 90 days following such death) all Shares issuable pursuant to Units that become vested pursuant to Section 2(c) (and with respect to which Shares have not been distributed previously) shall be distributed to Participant.

In the event that the number of Shares distributable pursuant to this Section 3 is a number that is not a whole number, then the number of Shares distributed shall be rounded down to the nearest whole number.

4. Rights as Shareholder; Dividend Equivalents

Prior to the distribution of Shares with respect to Units pursuant to Section 3 above, Participant shall not have ownership or rights of ownership of any Shares underlying the Units; provided, however, that Participant shall be entitled to receive cash Dividend Equivalents on outstanding Units (i.e. Units that have not been forfeited or settled), whether vested or unvested, if cash dividends on the Common Stock are declared by the Board on or after the Grant Date. Participant shall be entitled to Dividend Equivalents with respect to a number of Units equal to the Final Award Number. Such Dividend Equivalents will be in an amount of cash per Unit equal to the cash dividend paid with respect to a share of outstanding Common Stock. The Dividend Equivalents shall be treated as earnings on, and as a separate amount from, the Units for purposes of Section 409A of the Code. Dividend Equivalents accrued prior to the Determination Date will be paid within 90 days following the last day of the Performance Period, and as a matter of administrative practice will be paid as soon as administratively feasible following the Determination Date. Dividend Equivalents relating to dividends declared after the Determination Date will be paid to Participant with respect to Units that have not been settled and paid out on the same payment dates as dividends are paid to holders of the Common Stock. Dividend Equivalents paid with respect to dividends declared before the delivery of the Shares underlying the Units will be treated as compensation income for tax purposes and will be subject to income and payroll tax withholding by the Company.

5. Restriction on Transfer

Except for transfers by will or the applicable laws of descent and distribution, the Units cannot be sold, assigned, transferred, gifted, pledged, or in any manner encumbered, alienated, attached or disposed of, and any purported sale, assignment, transfer, gift, pledge, alienation, attachment or encumbrance shall be void and unenforceable against the Company. No such attempt to transfer the Units, whether voluntary or involuntary, by operation of law or otherwise (except by will or laws of descent and distribution), shall vest the purported transferee with any interest or right in or with respect to the Units or the Shares issuable with respect to the Units.

6. Securities Law Compliance

The delivery of all or any of the Shares in accordance with this Award shall be effective only at such time that the issuance of such Shares will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of the Shares under the Securities Act of 1933 or to effect any state registration or qualification of the Shares. The Company may, in its sole discretion, delay the delivery of the Shares or place restrictive legends on such Shares in order to ensure that the issuance of any Shares will be in compliance with federal or state securities laws and the rules of the New York Stock Exchange or any other exchange upon which the Company's Common Stock is traded.

7. Income Tax Withholding

In order to comply with all applicable federal, state, local and foreign income and payroll tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable withholding, income or other taxes, which are the sole and absolute responsibility of Participant, are withheld or collected from Participant. Without limiting the foregoing, the Company may, but is not obligated to, permit or require the satisfaction of tax withholding obligations through net Share settlement at the time of delivery of Shares (i.e. the Company withholds a portion of the Shares otherwise to be delivered with a Fair Market Value, as such term is defined in the Plan, equal to the amount of such taxes, but only to the extent necessary to satisfy certain statutory withholding requirements to avoid adverse accounting treatment under ASC 718) or through an open market sale of Shares otherwise to be delivered, in each case pursuant to such rules and procedures as may be established by the Company.

8. Miscellaneous

(a) The Agreement is issued pursuant to the Plan and is subject to its terms. The Plan is available for inspection during business hours at the principal office of the Company. In addition, the Plan may be viewed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future).

(b) The Agreement shall not confer on Participant any right with respect to continuance of employment with the Company or any Affiliate, nor will it interfere in any way with the right of the Company or any Affiliate to terminate such employment at any time.

(c) Participant acknowledges that the grant, vesting or any payment with respect to this Award, and the sale or other taxable disposition of the Shares issued with respect to the Units hereunder may have tax consequences pursuant to the Code or under local, state or international tax laws. It is intended that the Award shall comply with Section 409A of the Code, and the provisions of the Agreement and the Plan shall be construed and administered accordingly. Any amendment or modification of the Award (to the extent permitted under the terms of the Plan), will be undertaken in a manner intended to comply with Section 409A, to the extent applicable. Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of the Award. Participant acknowledges that Participant is relying solely and exclusively on Participant's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Participant understands and agrees that any and all tax consequences resulting from the Award and its grant, vesting, amendment, or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Award, is solely and exclusively the responsibility of Participant without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Participant for such taxes or other items.

9. Venue

Any claim or action brought with respect to this Award shall be brought in a federal or state court located in Minneapolis, Minnesota.

10. Definitions

For purposes of the Agreement, the following terms shall have the definitions as set forth below:

(a) **“Change in Control”** shall have the meaning ascribed to it in the Plan, but only if the event or circumstances constituting such change in control also constitute a change in ownership or effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, within the meaning of Section 409A of the Code.

(b) **“Disability”** means leaving active employment and qualifying for and receiving disability benefits under the Company’s long-term disability programs as in effect from time to time.

(c) **“Qualifying Termination”** means:

(A) Participant’s Separation From Service with the Company and its Affiliates as a result of the Company’s termination of Participant’s employment for any reason other than Cause within 12 months following a Change in Control, provided that such a termination will not be a Qualifying Termination if: i) the Company has notified the Participant in writing more than 30 days prior to the Announcement Date that Participant’s employment is not expected to continue for more than 12 months following the date of such notification, and Participant’s employment is in fact terminated within such 12 month period; or ii) Participant has announced in writing, prior to the date the Company provides a Notice of Termination to Participant, that Participant intends to terminate his or her employment;

(B) Participant’s Separation From Service with the Company and its Affiliates as a result of Disability within 12 months following a Change in Control; or

(C) Participant’s Separation From Service with the Company and its Affiliates (other than as a result of Participant’s termination of employment by the Company for Cause) within 12 months following a Change in Control, if, at the time of such Separation From Service, Participant is age 59 1/2 or older and has had 10 or more years of employment with the Company or its Affiliates following such Participant’s most recent date of hire by the Company or its Affiliates.

For purposes of this definition, the term Company shall be deemed to include any Person that has assumed this Award (or provided a substitute award to Participant) in connection with a Change in Control.

(i) **“Retirement”** means a Separation From Service with the Company and its affiliates (other than for Cause) by a Participant who is age 59 1/2 or older and has had 10 or more years of employment with the Company or its Affiliates following such Participant’s most recent date of hire by the Company or its Affiliates.

(j) **“Separation From Service”** means a Participant’s separation from service with the Company and its affiliates, as determined under Treasury Regulation section 1.409A-1(h)(1), provided, that the term “affiliate” shall mean a business entity which is affiliated in ownership with the Company and that is treated as a single employer under the rules of section 414(b) and (c) of the Code (applying the eighty percent common ownership standard).

(k) **“Specified Employee”** shall mean any Participant who is a specified employee for purposes of section 1.409A-1(i) of the U.S. Treasury Regulations, determined in accordance with the rules set forth in the separate document entitled “U.S. Bank Specified Employee Determination.”

EXHIBIT A

TO

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

This Exhibit A to the Performance Restricted Stock Unit Award Agreement sets forth the manner in which the Final Award Number will be determined for each Participant.

Definitions

Capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan, the Performance Restricted Stock Unit Award Agreement and Participant's Grant Detail. The following terms used in the text of this Exhibit A and in the ROE Performance Matrix shall have the meanings set forth below:

"Company ROE Maximum" means ____%.

"Company ROE Minimum" means ____%.

"Company ROE Result" means the ROE achieved by the Company during the Performance Period.

"Company ROE Target" means ____%.

"Determination Date" means the date on which the Final Award Number is determined, which date shall not be later than 45 days after the last day of the Performance Period.

"Final Award Number" means the "Final Award Number" determined in accordance with this Exhibit A.

"Peer Group Companies" means the following companies: _____.

"Peer Group ROE Ranking Maximum" means the ____ percentile.

"Peer Group ROE Ranking Minimum" means the ____ percentile.

"Peer Group ROE Ranking Target" means the ____ percentile.

"Peer Group ROE" means the ROE achieved by the Peer Group Companies during the Performance Period.

"Peer Group ROE Ranking" means the percentile rank of the Company ROE Result relative to Peer Group ROE.

"Performance Period" means the year ending December 31, 2017.

"ROE" means (a) net income applicable to the common shareholders of a company during the Performance Period, divided by (b) that company's average common shareholders' equity during the Performance Period.

"ROE Performance Matrix" means the ROE Performance Matrix set forth in this Exhibit A.

"Target Award Number" means the "Target Award Number" set forth in a Participant's Grant Detail.

“Target Award Number Percentage” means the “Target Award Number Percentage” determined in accordance with the ROE Performance Matrix and the related rules set forth in this Exhibit A.

Determination of Final Award Number

Each Participant has been granted a number of Units equal to the Target Award Number. The Target Award Number will be adjusted upward or downward depending on (a) whether the Company ROE Result is greater or less than the Company ROE Target, and (b) the Peer Group ROE Ranking. The Final Award Number for each Participant will be determined by multiplying (i) the Target Award Number Percentage by (ii) the Target Award Number. The Target Award Number Percentage will be determined in accordance with the following ROE Performance Matrix and the related rules below:

ROE PERFORMANCE MATRIX

Company ROE Result (Vertical Axis)	Company ROE Maximum (____%) or more Company ROE Target (____%) Company ROE Minimum (____%) or less (but greater than zero) Company ROE is 0% or less	Target Award Number Percentage		
		75%	112.5%	125%
		50%	100%	112.5%
		25%	50%	75%
		0%	0%	0%
		Peer Group ROE Ranking Minimum or below	Peer Group ROE Ranking Target	Peer Group ROE Ranking Maximum or above
		Peer Group ROE Ranking (Horizontal Axis)		

In determining the Target Award Number Percentage in accordance with the ROE Performance Matrix, the following rules will apply:

- If the Company ROE Result is greater than the Company ROE Minimum and less than the Company ROE Target, the Target Award Number Percentage on the vertical axis will be determined by interpolation of the Company ROE Result between the Company ROE Minimum and the Company ROE Target.
- If the Company ROE Result is greater than the Company ROE Target and less than the Company ROE Maximum, the Target Award Number Percentage on the vertical axis will be determined by interpolation of the Company ROE Result between the Company ROE Target and the Company ROE Maximum.
- If the Peer Group ROE Ranking is greater than the Peer Group ROE Ranking Minimum and less than the Peer Group ROE Ranking Target, the Target Award Number Percentage on the horizontal axis will be determined by interpolation of the Peer Group ROE Ranking between the Peer Group ROE Minimum and the Peer Group ROE Target.
- If the Peer Group ROE Ranking is greater than the Peer ROE Group Ranking Target and less than the Peer Group ROE Ranking Maximum, the Target Award Number Percentage on the horizontal axis will be determined by interpolation of the Peer Group ROE Ranking between the Peer Group ROE Target and the Peer Group ROE Maximum.

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- After the Target Award Number Percentage on each of the vertical axis and horizontal axis has been determined, the actual Target Award Number Percentage will be determined by interpolation of the data points (*i.e.* , the percentages) set forth in the ROE Performance Matrix.
 - In no event shall the Target Award Number Percentage be greater than 125.0%.

The Final Award Number for each Participant shall be determined by the Committee on the Determination Date. The Grant Detail of each Participant shall be amended to reflect the Final Award Number as soon as administratively feasible after the Final Award Number for such Participant is determined.

Committee Determinations

The Committee shall make all determinations necessary to arrive at the Final Award Number for each Participant. The Committee shall determine the Company ROE Result by reference to the Company's audited financial statements as of and for the year ending on the last day of the Performance Period. The Committee shall determine the Peer Group ROE Ranking by reference to publicly available financial information regarding the Peer Companies. Any determination by the Committee pursuant to this Exhibit A will be binding upon each Participant and the Company.

No Fractional Units

In the event the Final Award Number is a number of Units that is not a whole number, then the Final Award Number shall be rounded down to the nearest whole number.

NOTE: Stock options granted to members of the Managing Committee (“Optionees”) of U.S. Bancorp (the “Company”) on and after January 1, 2017 will have the terms and conditions set forth in each Optionee’s grant detail (the “Grant Detail”), which can be accessed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future). The Grant Detail may be viewed at any time on this Website, and the Grant Detail may also be printed out. In addition to the individual terms and conditions set forth in the Grant Detail, each stock option will have the terms and conditions set forth in the form of Non-Qualified Stock Option Agreement below. As a condition to each stock option grant, Optionee accepts the terms and conditions of the Grant Detail and the Non-Qualified Stock Option Agreement.

**U.S. BANCORP
NON-QUALIFIED STOCK OPTION AGREEMENT**

THIS AGREEMENT, together with the Grant Detail which is incorporated herein by reference (collectively, the “Agreement”), sets forth the terms and conditions of a stock option for the purchase of common stock of the Company, par value \$0.01 per share (the “Common Stock”), granted to Optionee by the Company. The grant of the Option is pursuant to the Company’s 2015 Stock Incentive Plan, which was approved by shareholders on April 21, 2015 (the “Plan”), and is subject to its terms. Capitalized terms not defined in the Agreement shall have the meaning ascribed to such terms in the Plan.

The Company and Optionee agree as follows:

1. Grant of Option

Subject to the terms and conditions of the Plan and the Agreement, the Company grants Optionee the right and option (the “Option”) to purchase all or any part of an aggregate of the number of shares of Common Stock set forth in Optionee’s Grant Detail at the exercise price per share set forth in the Grant Detail. The date of grant of the Option (the “Grant Date”) and the expiration date of the Option (the “Expiration Date”) also are set forth in Optionee’s Grant Detail. The Option is not intended to be an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Vesting of Exercise Rights; Forfeiture; Expiration

(a) *Time-Based Vesting Conditions; Expiration* . Subject to the terms and conditions of the Agreement, the Option (or a portion thereof) shall vest and may be exercised on or after the date or dates set forth in Optionee’s Grant Detail (each such date, a “Scheduled Vesting Date”) if Optionee remains continuously employed by the Company or an Affiliate of the Company until the applicable Scheduled Vesting Date. Except as otherwise provided in the Agreement, if Optionee ceases to be an employee of the Company or any Affiliate prior to an applicable Scheduled Vesting Date, any portion of the Option that has not previously become vested in accordance with the Grant Detail shall be immediately and irrevocably forfeited. Vested Options shall terminate and shall no longer be exercisable at the close of business on the Expiration Date, or on such earlier date as provided in this Section 2.

(b) *Accelerated Vesting of Exercise Rights Upon Death* . Notwithstanding the vesting provisions contained in Section 2(a), and subject to the other terms and conditions of the Agreement, if Optionee dies while in the employ of the Company or any Affiliate, then the vesting of the Option will accelerate upon the death of Optionee, and the Option will be fully exercisable in whole or in part at any time up to the earlier of (i) the last day of the three-year period commencing on the date of Optionee's death and (ii) the Expiration Date of the Option. The Option may be exercised by the personal representatives or administrators of Optionee or by any Person or Persons to whom the Option has been transferred by will or the applicable laws of descent and distribution.

(c) *Continued Vesting of Exercise Rights Upon Retirement or Disability* . Notwithstanding the vesting provisions contained in Section 2(a), and subject to the other terms and conditions of the Agreement, upon the Retirement (as defined in Section 9) or Disability (as defined in Section 9) of Optionee, the unvested portion of the Option at the time of such Retirement or Disability shall not be forfeited, and instead will become exercisable in accordance with the terms of the Agreement as though such Retirement or Disability had never occurred. Notwithstanding the foregoing, if Optionee shall die following Disability or Retirement (but prior to the Expiration Date of the Option), then the unvested portion of the Option at the time of Optionee's death, if any, will become exercisable in its entirety immediately upon Optionee's death, and the Option will be exercisable in whole or in part by the personal representatives or administrators of Optionee, or by any Person or Persons to whom the Option has been transferred by will or the applicable laws of descent and distribution, at any time up to the earlier of (i) the last day of the three-year period commencing on the date of Optionee's death and (ii) the Expiration Date of the Option.

(d) *Extended Period to Exercise Option Following Early Retirement* . If Optionee's employment is terminated by reason of Early Retirement (as defined in Section 9), Optionee may exercise the portion of the Option that was vested on the date of such termination of employment at any time up to the earlier of (i) the last day of the three-year period commencing on the date of such termination of employment and (ii) the Expiration Date of the Option. If Optionee shall die following Early Retirement (but prior to the termination or expiration of the Option as determined in accordance with the immediately prior sentence), the personal representatives or administrators of Optionee, or the Person or Persons to whom the Option has been transferred by will or the applicable laws of descent and distribution, may exercise the Option in accordance with the provisions of this Section 2(d).

(e) *Accelerated Vesting of Exercise Rights Upon Qualifying Termination* . Notwithstanding the vesting provision contained in Section 2(a), and subject to the other terms and conditions of the Agreement, if Optionee's employment is terminated pursuant to a Qualifying Termination (as defined in Section 9), the vesting of the Option will be accelerated and the Option may be exercised in full immediately upon such Qualifying Termination. Further, upon a Qualifying Termination, Optionee shall have the right to exercise the Option for a period of one year following such Qualifying Termination; provided, however, that no provision of this Section 2(e) shall shorten the period in which the Option may be exercised in the event of death, Disability, Retirement or Early Retirement as provided herein; and, provided further, that no Option shall be exercisable after the Expiration Date of the Option.

(f) *Termination for Cause* . If Optionee's employment is terminated for Cause, the Option shall be terminated in its entirety and shall not be exercisable at any time on or after the date of the misconduct.

(g) *Exercise of Option Following Termination of Employment for any Reason other than Cause, Death, Disability, Retirement, Early Retirement or Qualifying Termination* . If Optionee's employment shall be terminated for any reason other than Cause, death, Disability, Retirement, Early Retirement or a Qualifying Termination, Optionee may exercise the Option, to the extent that the Option was exercisable by Optionee on the date of the termination of employment, at any time up to the earlier of (i) 90 days after such termination and (ii) the Expiration Date of the Option.

(h) *Forfeiture upon Violation of Confidentiality and Non-solicitation Agreement* . Notwithstanding any other provisions in this Agreement, if Optionee violates the terms of any confidentiality and non-solicitation agreement between the Company or an Affiliate and Participant, the Option shall terminate in its entirety and may no longer be exercised by Optionee (or by any representative or administrator of Optionee or any transferee of the Optionee by will or the applicable laws of decent and distribution) at any time on or after the occurrence of any such violation.

3. **Special Risk-Related Cancellation Provisions**

Notwithstanding any other provision of the Agreement, if at any time subsequent to the Grant Date the Committee determines, in its sole discretion, that Optionee has, (i) failed to comply with Company policies and procedures, including its Code of Ethics and Business Conduct, (ii) violated any law or regulation, (iii) engaged in negligent or willful misconduct, or (iv) engaged in activity resulting in a significant or material control deficiency under the Sarbanes-Oxley Act of 2002, and such failure, violation, misconduct or activity (A) demonstrates an Inadequate Sensitivity (as defined below) to the inherent risks of Optionee's business line or functional area, and (B) results in, or is reasonably likely to result in, a material adverse impact (whether financial or reputational) on the Company or Optionee's business line or functional area, all or part of the Option granted under the Agreement that has not yet become vested (i.e. the portion that has not yet become exercisable) at the time of such determination may be cancelled, and, if so cancelled, all or such part of the Option will not become exercisable. "Inadequate Sensitivity" means Optionee has engaged in imprudent activities that subject the Company to risk outcomes in future periods, including risks that may not be apparent at the time the activities are undertaken.

4. **Securities Law Compliance**

The exercise of all or any portion of this Option shall only be effective at such time that the sale of Common Stock issued pursuant to such exercise will not violate any state or federal securities or other laws. The Company is under no obligation to effect any registration of the stock subject to the Option under the Securities Act of 1933 or to effect any state registration or qualification of such Common Stock. The Company may, in its sole discretion, defer the effectiveness of any full or partial exercise of the Option in order to ensure that the issuance of stock upon exercise will be in compliance with federal or state securities laws and the rules of the New York Stock Exchange or any other exchange upon which the Company's Common Stock is traded.

5. **Method of Exercise of Option**

Subject to the foregoing, the Option may be exercised in whole or part from time to time by contacting Fidelity (or any other stock plan administrator selected by the Company in the future) in accordance with procedures established by the Company. Information about exercising the Option can be accessed at USBnet (HRConnection) or www.USBankHR.com, or such other

resource as established by the Company. When exercising the Option, the number of shares as to which the Option is being exercised must be specified, and the purchase price (together with all federal, state, local, and foreign taxes required to be withheld) must be paid. To the extent permitted under the option exercise procedures established by the Company and in effect at the time of exercise, Optionee may pay the purchase price (i) by check or other authorized money transfer; (ii) by delivery (through attestation) of already-owned Shares having a Fair Market Value on the exercise date equal to the applicable exercise price, which Shares are owned free and clear of any liens, claims, encumbrances or security interests; or (iii) such other means as permitted under the procedures established by the Company and in effect at the time of exercise. For this purpose, already-owned Shares must have been owned by Optionee for a minimum of six months prior to the date of exercise of the Option.

6. **Income Tax Withholding**

In order to comply with all applicable federal, state, local and foreign income and payroll tax laws or regulations, the Company or an Affiliate may take such action as it deems appropriate to ensure that all required withholdings with respect to taxes, which are the sole and absolute responsibility of Optionee, are withheld or collected from Optionee. By acceptance and exercise of the Option, Optionee authorizes the Company or an Affiliate to take such actions, which may include, but are not limited to: (i) withholding from proceeds of the sale of Shares acquired upon exercise of the Option, or withholding a portion of the Shares otherwise to be delivered upon exercise of the Option, in each case such Shares having a Fair Market Value equal to the amount of such taxes (but only to the extent necessary to satisfy certain statutory withholding requirements to avoid adverse accounting treatment under ASC 718); (ii) withholding from Optionee's wages or other cash compensation paid to Optionee by the Company or an Affiliate; and (iii) permitting Optionee to deliver shares of Common Stock (other than the Shares issuable upon exercise of the Option) having a Fair Market Value equal to the amount of tax required to be withheld, which shares must have been owned by Optionee for a minimum of six months prior to the date of exercise of the Option.

7. **Miscellaneous**

(a) The Agreement shall not give Optionee any right with respect to continuance of employment with the Company or any Affiliate, nor will it interfere in any way with the right of the Company or any Affiliate to terminate such employment at any time. In addition, the Company or any Affiliate may at any time dismiss Optionee from employment, free from any liability or claim under the Plan. The holder of the Option will not be deemed to be the holder of any shares subject to the Option unless and until the Option has been exercised and the purchase price of the shares purchased has been paid.

(b) The Option may not be transferred, other than by will or the laws of descent and distribution and during Optionee's lifetime the Option is exercisable only by Optionee (or by Optionee's guardian or legal representative in the case of disability).

(c) The Company shall at all times during the term of the Option reserve and keep available such number of shares of the Company's Common Stock as will be sufficient to satisfy the requirements of the Agreement.

(d) The Option is issued pursuant to the Plan and is subject to its terms. The Plan is available for inspection during business hours at the principal office of the Company. In addition, the Plan can be accessed on the Fidelity Website at www.netbenefits.com (or the website of any other stock plan administrator selected by the Company in the future).

(e) Optionee acknowledges that the grant, vesting, exercise or amendment of the Option, and the sale or other taxable disposition of the Shares issued with respect to the Option, may have tax consequences pursuant to the Code or under local, state or international tax laws. It is intended that the Option shall be exempt from Section 409A of the Code and the provisions of the Agreement and the Plan shall be construed and administered accordingly. Any amendment or modification of the Option (to the extent permitted under the terms of the Plan), will be undertaken in a manner intended to comply with Section 409A, to the extent applicable. Notwithstanding the foregoing, there is no guaranty or assurance as to the tax treatment of the Option. Optionee acknowledges that Optionee is relying solely and exclusively on Optionee's own professional tax and investment advisors with respect to any and all such matters (and is not relying, in any manner, on the Company or any of its employees or representatives). Optionee understands and agrees that any and all tax consequences resulting from the Option and its grant, vesting, exercise, amendment or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Option, is solely and exclusively the responsibility of Optionee without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse Optionee for such taxes or other items.

8. **Venue**

Any claim or action brought with respect to this Award shall be brought in a federal or state court located in Minneapolis, Minnesota.

9. **Definitions**

(a) "Disability" means qualifying for and receiving disability benefits under the Company's long-term disability programs as in effect from time to time.

(b) "Early Retirement" means termination of employment (other than for Cause) by a Person who is age 55 or older and has had 10 or more years of employment with the Company or its Affiliates following such Person's most recent date of hire by the Company or its Affiliates.

(c) "Qualifying Termination" means a termination of Optionee's employment with the Company or its Affiliates by the Company for any reason other than Cause within 12 months following a Change in Control, provided that such a termination will not be a Qualifying Termination if:

- (A) the Company has notified Optionee in writing more than 30 days prior to the Announcement Date that Optionee's employment is not expected to continue for more than 12 months following the date of such notification, and Optionee's employment is in fact terminated within such 12-month period; or
- (B) Optionee has announced in writing, prior to the date the Company provides a Notice of Termination to Optionee, that Optionee intends to terminate his or her employment.

For purposes of this definition, the term Company shall be deemed to include any Person that has assumed the Option (or provided a substitute award to Optionee) in connection with a Change in Control.

(d) "Retirement" means the termination of employment (other than for Cause) by a Person who is age 59 1/2 or older and has had 10 or more years of employment with the Company or its Affiliates following such Person's most recent date of hire by the Company or its Affiliates.

Computation of Ratio of Earnings to Fixed Charges

Year Ended December 31 (Dollars in Millions)

	2016	2015	2014	2013	2012
Earnings					
1. Net income attributable to U.S. Bancorp	\$5,888	\$5,879	\$5,851	\$5,836	\$ 5,647
2. Applicable income taxes, including expense related to unrecognized tax positions	2,161	2,097	2,087	2,032	2,236
3. Net income attributable to U.S. Bancorp before income taxes (1 + 2)	<u>\$8,049</u>	<u>\$7,976</u>	<u>\$7,938</u>	<u>\$7,868</u>	<u>\$ 7,883</u>
4. Fixed charges:					
a. Interest expense excluding interest on deposits*	\$1,017	\$ 944	\$ 988	\$1,120	\$ 1,447
b. Portion of rents representative of interest and amortization of debt expense	109	109	112	108	103
c. Fixed charges excluding interest on deposits (4a + 4b)	1,126	1,053	1,100	1,228	1,550
d. Interest on deposits	622	457	465	561	691
e. Fixed charges including interest on deposits (4c + 4d)	<u>\$1,748</u>	<u>\$1,510</u>	<u>\$1,565</u>	<u>\$1,789</u>	<u>\$ 2,241</u>
5. Amortization of interest capitalized	\$ —	\$ —	\$ —	\$ —	\$ —
6. Earnings excluding interest on deposits (3 + 4c + 5)	9,175	9,029	9,038	9,096	9,433
7. Earnings including interest on deposits (3 + 4e + 5)	9,797	9,486	9,503	9,657	10,124
8. Fixed charges excluding interest on deposits (4c)	1,126	1,053	1,100	1,228	1,550
9. Fixed charges including interest on deposits (4e)	1,748	1,510	1,565	1,789	2,241
Ratio of Earnings to Fixed Charges					
10. Excluding interest on deposits (line 6/line 8)	8.15	8.57	8.22	7.41	6.09
11. Including interest on deposits (line 7/line 9)	5.60	6.28	6.07	5.40	4.52

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

Year Ended December 31 (Dollars in Millions)

	2016	2015	2014	2013	2012
Earnings					
1. Net income attributable to U.S. Bancorp	\$5,888	\$5,879	\$5,851	\$5,836	\$ 5,647
2. Applicable income taxes, including expense related to unrecognized tax positions	2,161	2,097	2,087	2,032	2,236
3. Net income attributable to U.S. Bancorp before income taxes (1 + 2)	<u>\$8,049</u>	<u>\$7,976</u>	<u>\$7,938</u>	<u>\$7,868</u>	<u>\$ 7,883</u>
Preferred stock dividends	\$ 281	247	\$ 243	\$ 250	\$ 238
4. Fixed charges:					
a. Interest expense excluding interest on deposits*	\$1,017	\$ 944	\$ 988	\$1,120	\$ 1,447
b. Portion of rents representative of interest and amortization of debt expense	109	109	112	108	103
c. Fixed charges excluding interest on deposits (4a + 4b)	1,126	1,053	1,100	1,228	1,550
d. Interest on deposits	622	457	465	561	691
e. Fixed charges including interest on deposits (4c + 4d)	<u>\$1,748</u>	<u>\$1,510</u>	<u>\$1,565</u>	<u>\$1,789</u>	<u>\$ 2,241</u>
5. Amortization of interest capitalized	\$ —	\$ —	\$ —	\$ —	\$ —
6. Earnings excluding interest on deposits (3 + 4c + 5)	9,175	9,029	9,038	9,096	9,433
7. Earnings including interest on deposits (3 + 4e + 5)	9,797	9,486	9,503	9,657	10,124
8. Fixed charges excluding interest on deposits (4c) and preferred dividends	1,407	1,300	1,343	1,478	1,788
9. Fixed charges including interest on deposits (4e) and preferred dividends	2,029	1,757	1,808	2,039	2,479
Ratio of Earnings to Fixed Charges and Preferred Dividends					
10. Excluding interest on deposits (line 6/line 8)	6.52	6.95	6.73	6.15	5.28
11. Including interest on deposits (line 7/line 9)	4.83	5.40	5.26	4.74	4.08

* Excludes interest expense related to unrecognized tax positions

The following pages discuss in detail the financial results we achieved in 2016 — results that reflect **one U.S. Bank.**

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The following information appears in accordance with the private securities litigation reform act of 1995:

This report 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. A reversal or slowing of the current economic recovery or another severe contraction could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market 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 deterioration in general business and economic conditions; 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 securities held in its investment securities portfolio; legal and regulatory developments; litigation; increased competition from both banks and non-banks; 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.

Additional factors could cause actual results to differ from expectations, including the risks discussed in the "Corporate Risk Profile" section on pages 38–60 and the "Risk Factors" section on pages 148–157 of this report. 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.

Management's Discussion and Analysis

Overview

U.S. Bancorp and its subsidiaries (the "Company") delivered record financial performance in 2016. In a year where economic conditions continued to slowly improve, the Company delivered record full-year net income, diluted earnings per share and net revenue, while continuing to make important investments in its long-term growth strategy.

The Company earned \$5.9 billion in 2016, an increase of 0.2 percent over 2015, principally due to total net revenue growth. Net interest income increased primarily as a result of loan growth and noninterest income increased as a result of higher payment services revenue, trust and investment management fees and mortgage banking revenue. The Company's continued focus on controlling expenses allowed it to achieve an industry-leading efficiency ratio of 54.9 percent in 2016. In addition, the Company's return on average assets and return on average common equity were 1.36 percent and 13.4 percent, respectively.

During 2016, the Company continued to create value for shareholders and customers by returning 79 percent of its earnings to common shareholders through dividends and common share repurchases. This was accomplished by generating steady growth in commercial and consumer lending and total deposits, by building momentum in its core business, particularly within Wealth Management and Securities Services and Payment Services, and by maintaining a very strong capital base.

The Company's common equity tier 1 to risk-weighted assets ratio using the Basel III standardized approach and Basel III advanced approaches, as if fully implemented, were 9.1 percent and 11.7 percent, respectively, at December 31, 2016 — above the Company's targeted ratio of 8.5 percent and well above the minimum ratio of 7.0 percent required when fully implemented. In addition, refer to Table 23 for a summary of the statutory capital ratios in effect for the Company at December 31, 2016 and 2015. Further, credit rating organizations rate the Company's debt

among the highest of any bank in the world. This comparative financial strength provides the Company with favorable funding costs, strong liquidity and the ability to attract new customers.

In 2016, average loans and deposits increased \$17.3 billion (6.9 percent) and \$25.7 billion (8.9 percent), respectively, over 2015, reflecting growth from new and existing customers. Loan growth included increases in commercial, commercial real estate, residential mortgages, credit card and other retail loans, partially offset by a decline in loans covered by loss sharing agreements with the Federal Deposit Insurance Corporation ("FDIC") ("covered" loans), which is a run-off portfolio. Deposit growth included increases in noninterest-bearing and total savings deposits.

The Company's provision for credit losses increased \$192 million (17.0 percent) in 2016, compared with 2015. Net charge-offs increased \$97 million (8.3 percent) in 2016, compared with 2015, primarily due to higher commercial loan net charge-offs and lower commercial real estate recoveries, partially offset by lower charge-offs related to residential mortgage and home equity loans due to continued improvement in economic conditions during 2016. The provision for credit losses was \$55 million more than net charge-offs in 2016, compared with \$40 million less than net charge-offs in 2015, reflecting loan growth, partially offset by improvements in residential mortgage and home equity loans and lines.

The fundamental elements of the Company's core businesses are solid, positioning the Company well for growth as it enters 2017. The Company generated record revenue in 2016 and has strong momentum as it begins 2017. The Company experienced total loan growth, deposit growth, net interest income growth, and noninterest income growth in 2016. In addition, its capital position remained strong. With a focus on customer satisfaction and providing them with innovative products and services, the Company believes it will continue to create outstanding value for its shareholders, customers and communities in 2017.

TABLE 1 Selected Financial Data

Year Ended December 31
(Dollars and Shares in Millions, Except Per Share Data)

	2016	2015	2014	2013	2012
Condensed Income Statement					
Net interest income	\$ 11,528	\$ 11,001	\$ 10,775	\$ 10,604	\$ 10,745
Taxable-equivalent adjustment (a)	203	213	222	224	224
Net interest income (taxable-equivalent basis) (b)	11,731	11,214	10,997	10,828	10,969
Noninterest income	9,555	9,092	9,161	8,765	9,334
Securities gains (losses), net	22	—	3	9	(15)
Total net revenue	21,308	20,306	20,161	19,602	20,288
Noninterest expense	11,676	10,931	10,715	10,274	10,456
Provision for credit losses	1,324	1,132	1,229	1,340	1,882
Income before taxes	8,308	8,243	8,217	7,988	7,950
Income taxes and taxable-equivalent adjustment	2,364	2,310	2,309	2,256	2,460
Net income	5,944	5,933	5,908	5,732	5,490
Net (income) loss attributable to noncontrolling interests	(56)	(54)	(57)	104	157
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851	\$ 5,836	\$ 5,647
Net income applicable to U.S. Bancorp common shareholders	\$ 5,589	\$ 5,608	\$ 5,583	\$ 5,552	\$ 5,383
Per Common Share					
Earnings per share	\$ 3.25	\$ 3.18	\$ 3.10	\$ 3.02	\$ 2.85
Diluted earnings per share	3.24	3.16	3.08	3.00	2.84
Dividends declared per share	1.070	1.010	.965	.885	.780
Book value per share	24.63	23.28	21.68	19.92	18.31
Market value per share	51.37	42.67	44.95	40.40	31.94
Average common shares outstanding	1,718	1,764	1,803	1,839	1,887
Average diluted common shares outstanding	1,724	1,772	1,813	1,849	1,896
Financial Ratios					
Return on average assets	1.36%	1.44%	1.54%	1.65%	1.65%
Return on average common equity	13.4	14.0	14.7	15.8	16.2
Net interest margin (taxable-equivalent basis) (a)	3.01	3.05	3.23	3.44	3.58
Efficiency ratio (b)	54.9	53.8	53.2	52.4	51.5
Net charge-offs as a percent of average loans outstanding	.47	.47	.55	.64	.97
Average Balances					
Loans	\$267,811	\$250,459	\$241,692	\$227,474	\$215,374
Loans held for sale	4,181	5,784	3,148	5,723	7,847
Investment securities (c)	107,922	103,161	90,327	75,046	72,501
Earning assets	389,877	367,445	340,994	315,139	306,270
Assets	433,313	408,865	380,004	352,680	342,849
Noninterest-bearing deposits	81,176	79,203	73,455	69,020	67,241
Deposits	312,810	287,151	266,640	250,457	235,710
Short-term borrowings	19,906	27,960	30,252	27,683	28,549
Long-term debt	36,220	33,566	26,535	21,280	28,448
Total U.S. Bancorp shareholders' equity	47,339	44,813	42,837	39,917	37,611
Period End Balances					
Loans	\$273,207	\$260,849	\$247,851	\$235,235	\$223,329
Investment securities	109,275	105,587	101,043	79,855	74,528
Assets	445,964	421,853	402,529	364,021	353,855
Deposits	334,590	300,400	282,733	262,123	249,183
Long-term debt	33,323	32,078	32,260	20,049	25,516
Total U.S. Bancorp shareholders' equity	47,298	46,131	43,479	41,113	38,998
Asset Quality					
Nonperforming assets	\$ 1,603	\$ 1,523	\$ 1,808	\$ 2,037	\$ 2,671
Allowance for credit losses	4,357	4,306	4,375	4,537	4,733
Allowance for credit losses as a percentage of period-end loans	1.59%	1.65%	1.77%	1.93%	2.12%
Capital Ratios					
Common equity tier 1 capital (d)	9.4%	9.6%	9.7%	9.4% (b)	9.0% (b)
Tier 1 capital (d)	11.0	11.3	11.3	11.2	10.8
Total risk-based capital (d)	13.2	13.3	13.6	13.2	13.1
Leverage (d)	9.0	9.5	9.3	9.6	9.2
Common equity tier 1 capital to risk-weighted assets for the Basel III transitional advanced approaches	12.2	12.5	12.4		
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (b)(e)	9.1	9.1	9.0	8.8	8.1
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (b)	11.7	11.9	11.8		
Tangible common equity to tangible assets (b)	7.5	7.6	7.5	7.7	7.2
Tangible common equity to risk-weighted assets (b)	9.2	9.2	9.3	9.1	8.6

(a) Utilizes a tax rate of 35 percent 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 66.

(c) 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.

(d) December 31, 2016, 2015 and 2014, calculated under the Basel III transitional standardized approach; all other periods calculated under Basel I.

(e) December 31, 2016, 2015, 2014 and 2013, calculated using final rules for the Basel III fully implemented standardized approach; December 31, 2012, calculated using proposed rules released June 2012.

Earnings Summary The Company reported net income attributable to U.S. Bancorp of \$5.89 billion in 2016, or \$3.24 per diluted common share, compared with \$5.88 billion, or \$3.16 per diluted common share, in 2015. Return on average assets and return on average common equity were 1.36 percent and 13.4 percent, respectively, in 2016, compared with 1.44 percent and 14.0 percent, respectively, in 2015. The results for 2016 included \$180 million of equity investment income, related to the sale of the Company's membership in Visa Europe Limited ("Visa Europe") to Visa, Inc., along with a \$110 million increase in reserves related to legal and regulatory matters and a \$40 million charitable contribution.

Total net revenue for 2016 was \$1.0 billion (4.9 percent) higher than 2015, reflecting a 4.8 percent increase in net interest income (4.6 percent on a taxable-equivalent basis), and a 5.3 percent increase in noninterest income. The increase in net interest income from the prior year was mainly the result of loan growth. The increase in noninterest income was primarily driven by higher payment services revenue, trust and investment management fees, and mortgage banking revenue, as well as the impact of the Visa Europe sale.

Noninterest expense in 2016 was \$745 million (6.8 percent) higher than 2015, reflecting business growth, incremental costs related to compliance programs and investment in the business. Compensation expense increased due to the impact of hiring to support business growth and compliance programs, merit increases and higher variable compensation. Professional services expense was higher related to compliance programs and implementation costs of capital investments. Marketing expense increased as a result of the charitable contribution and costs for supporting new business development, while technology and communications expense increased reflecting capital investments. In addition, other noninterest expense was higher reflecting a special FDIC surcharge that began in the third quarter of 2016 and an increase in reserves related to legal and regulatory matters.

Statement of Income Analysis

Net Interest Income Net interest income, on a taxable-equivalent basis, was \$11.7 billion in 2016, compared with \$11.2 billion in 2015 and \$11.0 billion in 2014. The \$517 million (4.6 percent) increase in net interest income, on a taxable-equivalent basis, in 2016 compared with 2015, was principally driven by loan growth partially offset by a lower net interest margin. Average earning assets were \$22.4 billion (6.1 percent) higher in 2016, compared with 2015, driven by increases in loans and in investment securities. The net interest margin, on a taxable-equivalent basis, in 2016 was 3.01 percent, compared with 3.05 percent in 2015 and 3.23 percent in 2014. The decrease in the net interest margin in 2016, compared with 2015, was principally due to lower yields on purchased securities, lower reinvestment rates on maturing securities and maintaining higher cash balances. Refer to the "Interest Rate Risk Management" section for further information on the sensitivity of the Company's net interest income to changes in interest rates.

Average total loans were \$267.8 billion in 2016, compared with \$250.5 billion in 2015. The \$17.3 billion (6.9 percent) increase was driven by growth in commercial, commercial real estate, residential mortgage, credit card and other retail loans, partially offset by a decrease in covered loans. Average commercial and commercial real estate loans increased \$8.0 billion (9.5 percent) and \$625 million (1.5 percent), respectively, driven by higher demand for loans from new and existing customers. The \$3.8 billion (7.4 percent) increase in residential mortgages reflected higher origination activity, including strong refinancing activities, in 2016 compared with 2015. Average credit card balances increased \$2.4 billion (13.5 percent) in 2016, compared with 2015, due to customer growth, including a portfolio acquisition in late 2015 which increased average 2016 credit card balances by \$1.6 billion. The \$3.3 billion (6.6 percent) increase in average other retail loans was primarily due to higher auto and installment loans, student loans, and home equity and second mortgage loan balances. Average covered loans decreased \$759 million (15.2 percent) in 2016, compared with 2015, the result of portfolio run-off.

TABLE 2 Analysis of Net Interest Income (a)

Year Ended December 31 (Dollars in Millions)	2016	2015	2014	2016 v 2015	2015 v 2014
Components of Net Interest Income					
Income on earning assets (taxable-equivalent basis)	\$ 13,375	\$ 12,619	\$ 12,454	\$ 756	\$ 165
Expense on interest-bearing liabilities (taxable-equivalent basis)	1,644	1,405	1,457	239	(52)
Net interest income (taxable-equivalent basis) ^(b)	\$ 11,731	\$ 11,214	\$ 10,997	\$ 517	\$ 217
Net interest income, as reported	\$ 11,528	\$ 11,001	\$ 10,775	\$ 527	\$ 226
Average Yields and Rates Paid					
Earning assets yield (taxable-equivalent basis)	3.43%	3.43%	3.65%	—%	(.22)%
Rate paid on interest-bearing liabilities (taxable-equivalent basis)	.57	.52	.58	.05	(.06)
Gross interest margin (taxable-equivalent basis)	2.86%	2.91%	3.07%	(.05)%	(.16)%
Net interest margin (taxable-equivalent basis)	3.01%	3.05%	3.23%	(.04)%	(.18)%
Average Balances					
Investment securities ^(c)	\$ 107,922	\$ 103,161	\$ 90,327	\$ 4,761	\$ 12,834
Loans	267,811	250,459	241,692	17,352	8,767
Earning assets	389,877	367,445	340,994	22,432	26,451
Interest-bearing liabilities	287,760	269,474	249,972	18,286	19,502

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

(b) See Non-GAAP Financial Measures beginning on page 66.

(c) 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.

Average investment securities in 2016 were \$4.8 billion (4.6 percent) higher than 2015, primarily due to purchases of U.S. Treasury and U.S. government agency-backed securities, net of prepayments and maturities, to support liquidity.

Average total deposits for 2016 were \$25.7 billion (8.9 percent) higher than 2015. Average noninterest-bearing deposits for 2016 were \$2.0 billion (2.5 percent) higher than the prior year, mainly in Consumer and Small Business Banking and Wholesale Banking and Commercial Real Estate. Average total savings deposits for 2016 were \$26.2 billion (15.2 percent) higher than 2015, reflecting growth in Wholesale Banking and Commercial Real Estate, Consumer and Small Business Banking, and Wealth Management and Securities Services balances. Average time deposits for 2016 were \$2.6 billion (7.2 percent) lower than 2015. The decrease was driven by lower Consumer and Small Business Banking balances driven by maturities, as well as a decline related to those deposits managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics.

The \$217 million (2.0 percent) increase in net interest income in 2015, compared with 2014, was primarily the result of growth in average earning assets and lower cost core deposit funding, partially offset by a shift in loan portfolio mix, lower reinvestment rates on investment securities and lower loan fees due to the 2014 wind down of the short-term, small-dollar deposit advance product, Checking Account Advance ("CAA"). Average earning assets were \$26.4 billion (7.8 percent) higher in 2015, compared with 2014, driven by increases in loans and investment securities. The decrease in the net interest margin in 2015, compared with 2014, primarily reflected a change in the loan portfolio mix,

growth in the investment portfolio at lower average rates and lower reinvestment rates on investment securities, as well as lower loan fees due to the CAA product wind down.

Average total loans increased \$8.8 billion (3.6 percent) in 2015, compared with 2014, driven by growth in commercial, commercial real estate, credit card and other retail loans, partially offset by a decrease in covered loans. Average commercial loans increased \$8.3 billion (11.0 percent), driven by higher demand for loans from new and existing customers. Average commercial real estate loans increased \$1.8 billion (4.5 percent), driven by the reclassification of covered commercial real estate loans resulting from the expiration of loss sharing agreements related to those loans at the end of 2014, as well as higher loan demand. Average credit card balances increased \$422 million (2.4 percent) in 2015, compared with 2014, due to customer growth, including portfolio acquisitions during 2015. The \$726 million (1.5 percent) increase in average other retail loans was primarily due to higher auto and installment loans, partially offset by lower student loan balances, reflecting their classification as held for sale for a portion of 2015. Average residential mortgages were essentially unchanged in 2015, compared with 2014. Average covered loans decreased \$2.6 billion (34.1 percent) in 2015, compared with 2014, the result of portfolio run-off and the expiration of the loss sharing agreements on commercial and commercial real estate loans at the end of 2014.

Average investment securities in 2015 were \$12.8 billion (14.2 percent) higher than 2014, primarily due to purchases of U.S. Treasury and U.S. government agency-backed securities, net of prepayments and maturities, to support liquidity.

TABLE 3 Net Interest Income — Changes Due to Rate and Volume (a)

Year Ended December 31 (Dollars in Millions)	2016 v 2015			2015 v 2014		
	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Increase (decrease) in						
Interest Income						
Investment securities	\$ 98	\$ (37)	\$ 61	\$ 282	\$ (153)	\$ 129
Loans held for sale	(57)	5	(52)	108	(30)	78
Loans						
Commercial	216	99	315	245	(192)	53
Commercial real estate	24	24	48	71	4	75
Residential mortgages	146	(42)	104	1	(36)	(35)
Credit card	265	3	268	43	109	152
Other retail	134	(40)	94	32	(153)	(121)
Total loans, excluding covered loans	785	44	829	392	(268)	124
Covered loans	(41)	(30)	(71)	(154)	(27)	(181)
Total loans	744	14	758	238	(295)	(57)
Other earning assets	32	(43)	(11)	46	(31)	15
Total earning assets	817	(61)	756	674	(509)	165
Interest Expense						
Interest-bearing deposits						
Interest checking	3	9	12	2	(7)	(5)
Money market savings	41	116	157	28	47	75
Savings accounts	4	(10)	(6)	4	(10)	(6)
Time deposits	(14)	16	2	(40)	(32)	(72)
Total interest-bearing deposits	34	131	165	(6)	(2)	(8)
Short-term borrowings	(72)	91	19	(20)	2	(18)
Long-term debt	55	—	55	192	(218)	(26)
Total interest-bearing liabilities	17	222	239	166	(218)	(52)
Increase (decrease) in net interest income	\$ 800	\$ (283)	\$ 517	\$ 508	\$ (291)	\$ 217

(a) This table shows the components of the change in net interest income by volume and rate on a taxable-equivalent basis utilizing a tax rate of 35 percent. This table does not take into account the level of noninterest-bearing funding, nor does it fully reflect changes in the mix of assets and liabilities. The change in interest not solely due to changes in volume or rates has been allocated on a pro-rata basis to volume and yield/rate.

Average total deposits for 2015 were \$20.5 billion (7.7 percent) higher than 2014. Average noninterest-bearing deposits for 2015 were \$5.7 billion (7.8 percent) higher than 2014, reflecting growth in Consumer and Small Business Banking, and Wholesale Banking and Commercial Real Estate. Average total savings deposits for 2015 were \$21.0 billion (13.8 percent) higher than 2014, reflecting growth in Consumer and Small Business Banking, Wholesale Banking and Commercial Real Estate and corporate trust balances. Average time deposits which are managed based largely on relative pricing and liquidity characteristics, decreased \$6.2 billion (14.9 percent) in 2015, compared with 2014.

Provision for Credit Losses The provision for credit losses reflects changes in the size and credit quality of the entire portfolio of loans. The Company maintains an allowance for credit losses considered appropriate by management for probable and estimable incurred losses, based on factors discussed in the "Analysis and Determination of Allowance for Credit Losses" section.

In 2016, the provision for credit losses was \$1.3 billion, compared with \$1.1 billion and \$1.2 billion in 2015 and 2014, respectively. The provision for credit losses was higher than net charge-offs by \$55 million in 2016, lower than net charge-offs by \$40 million in 2015 and lower than net charge-offs by \$105 million in 2014. The increase in the allowance for credit losses during 2016 was driven by loan portfolio growth and economic stress in the energy portfolio, partially offset by improvements in residential mortgage and home equity loans and lines. Nonperforming assets increased \$80 million (5.3 percent) from December 31, 2015 to December 31, 2016, primarily driven by an increase in nonperforming commercial loans within the energy portfolio, partially offset by improvements in the Company's residential portfolio due to improving economic conditions. Net charge-offs increased \$97 million (8.3 percent) in 2016 from 2015 primarily due to higher commercial loan net charge-offs and lower commercial real estate recoveries, partially offset by lower charge-offs related to residential mortgages and home equity loans.

The \$97 million (7.9 percent) decrease in the provision for credit losses in 2015, compared with 2014, reflected improving credit trends and the underlying risk profile of the loan portfolio as economic conditions slowly improved during the period, partially offset by portfolio growth. Nonperforming assets decreased \$285 million (15.8 percent) from December 31, 2014 to December 31, 2015, primarily driven by nonperforming asset reductions in the commercial real estate, residential mortgages, and home equity and second mortgage portfolios, as economic conditions slowly improved during 2015. In addition, accruing loans ninety days or more past due decreased by \$114 million (12.1 percent) from December 31, 2014 to December 31, 2015. Net charge-offs decreased \$162 million (12.1 percent) in 2015 from 2014 due to improvement in the residential mortgages, and home equity and second mortgages portfolios, as economic conditions slowly improved in 2015, partially offset by higher commercial 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 in 2016 was \$9.6 billion, compared with \$9.1 billion in 2015 and \$9.2 billion in 2014. The \$485 million (5.3 percent) increase in 2016 over 2015 was primarily due to higher payment services revenue, trust and investment management fees, and mortgage banking revenue, as well as the impact of the Visa Europe sale. Credit and debit card revenue increased 10.0 percent in 2016 compared with 2015, reflecting higher transaction volumes including the impact of acquired portfolios. Merchant processing services revenue was 2.9 percent higher as a result of an increase in product fees and higher transaction volumes. Adjusted for the impact of foreign currency rate changes, the increase would have been approximately 5.0 percent. Trust and investment management fees increased 8.0 percent in 2016, compared with 2015, reflecting lower money market fee waivers, along with account growth, an increase in assets under management and improved market conditions. Mortgage banking revenue increased 8.1 percent over the prior year, driven by higher origination and sales volumes. In addition, other revenue was 9.5 percent higher in 2016 compared with 2015, reflecting the 2016 Visa Europe sale and the impact of a 2015 student loan market valuation adjustment, partially offset by lower equity investment income and a 2015 gain recorded on the sale of a deposit portfolio.

TABLE 4 Noninterest Income

Year Ended December 31 (Dollars in Millions)	2016	2015	2014	2016 v 2015	2015 v 2014
Credit and debit card revenue	\$1,177	\$1,070	\$1,021	10.0%	4.8%
Corporate payment products revenue	712	708	724	.6	(2.2)
Merchant processing services	1,592	1,547	1,511	2.9	2.4
ATM processing services	338	318	321	6.3	(.9)
Trust and investment management fees	1,427	1,321	1,252	8.0	5.5
Deposit service charges	725	702	693	3.3	1.3
Treasury management fees	583	561	545	3.9	2.9
Commercial products revenue	871	867	854	.5	1.5
Mortgage banking revenue	979	906	1,009	8.1	(10.2)
Investment products fees	158	185	191	(14.6)	(3.1)
Securities gains (losses), net	22	—	3	*	*
Other	993	907	1,040	9.5	(12.8)
Total noninterest income	\$9,577	\$9,092	\$9,164	5.3%	(.8)%

* Not meaningful.

The \$72 million (0.8 percent) decrease in noninterest income in 2015 from 2014 reflected a 2014 gain related to an equity interest in Nuveen Investments, lower equity investment income, the 2015 student loan market adjustment and lower mortgage banking revenue, partially offset by higher revenue in most other fee businesses and the 2015 gain recorded on the sale of a deposit portfolio. The decrease in mortgage banking revenue in 2015 of 10.2 percent, compared with 2014, was primarily due to an unfavorable change in the valuation of mortgage servicing rights ("MSRs"), net of hedging activities, partially offset by an increase in mortgage production volume. Credit and debit card revenue increased 4.8 percent in 2015 compared with 2014, due to higher transaction volumes. Trust and investment management fees increased 5.5 percent, reflecting the benefits of the Company's investments in its corporate trust and fund services businesses, as well as account growth, improved market conditions and lower fee waivers. Merchant processing services revenue was 2.4 percent higher as a result of higher transaction volumes, along with account growth and equipment sales to merchants related to chip technology requirements. Adjusted for the impact of foreign currency rate changes, the increase would have been approximately 6.9 percent. In addition, treasury management fees increased 2.9 percent in 2015 compared with 2014, due to higher transaction volumes, and commercial products revenue increased 1.5 percent due to higher syndication and bond underwriting fees and higher commercial leasing revenue, partially offset by lower standby letter of credit fees.

Noninterest Expense Noninterest expense in 2016 was \$11.7 billion, compared with \$10.9 billion in 2015 and \$10.7 billion in 2014. The Company's efficiency ratio was 54.9 percent in 2016, compared with 53.8 percent in 2015 and 53.2 percent in 2014. The \$745 million (6.8 percent) increase in noninterest expense in 2016 over 2015 was primarily due to higher compensation costs, professional services, marketing and business development, technology and communications, and other noninterest expenses, partially offset by lower employee benefits expense. Compensation expense increased 8.3 percent in 2016 over 2015, principally due to the impact of hiring to support business growth and compliance programs, merit increases, and higher variable compensation. Professional services expense increased 18.7 percent primarily due to compliance programs and implementation costs of capital investments to support business growth. Marketing and business development expense increased 20.5 percent in 2016 over 2015, resulting from the support of new business development and a 2016 charitable contribution. Technology and communications expense increased 7.7 percent primarily due to capital investments and costs related to acquired portfolios. Further, other noninterest expense increased 8.6 percent in 2016 over 2015, reflecting the impact of the FDIC surcharge, which began in the third quarter of 2016, and higher accruals related to legal and regulatory matters. Offsetting these increases was a 4.1 percent decrease in employee benefits expense mainly due to lower pension costs.

TABLE 5 Noninterest Expense

Year Ended December 31 (Dollars in Millions)	2016	2015	2014	2016 v 2015	2015 v 2014
Compensation	\$ 5,212	\$ 4,812	\$ 4,523	8.3%	6.4%
Employee benefits	1,119	1,167	1,041	(4.1)	12.1
Net occupancy and equipment	988	991	987	(.3)	.4
Professional services	502	423	414	18.7	2.2
Marketing and business development	435	361	382	20.5	(5.5)
Technology and communications	955	887	863	7.7	2.8
Postage, printing and supplies	311	297	328	4.7	(9.5)
Other intangibles	179	174	199	2.9	(12.6)
Other	1,975	1,819	1,978	8.6	(8.0)
Total noninterest expense	\$11,676	\$10,931	\$10,715	6.8%	2.0%
Efficiency ratio (a)	54.9%	53.8%	53.2%		

(a) See Non-GAAP Financial Measures beginning on page 66.

The \$216 million (2.0 percent) increase in noninterest expense in 2015 over 2014 reflected higher compensation, employee benefits and other costs related to compliance activities during 2015. Compensation expense increased 6.4 percent, reflecting merit increases, higher staffing for risk and compliance activities, and the impact of branch banking operations acquisitions in 2014. Employee benefits expense increased 12.1 percent, primarily the result of higher pension costs. In addition, technology and communications expense increased 2.8 percent in 2015 over 2014, reflecting higher software license and maintenance costs. Offsetting these increases was a 5.5 percent decrease in marketing and business development expense reflecting higher charitable contributions in 2014, a 9.5 percent decrease in postage, printing and supplies expense due to a 2015 reimbursement from a business partner, and a 12.6 percent decrease in other intangibles expense due to the reduction or completion of amortization of certain intangibles. In addition, other expense decreased 8.0 percent, reflecting the impact of a 2014 settlement relating to the Federal Housing Administration's insurance program and 2014 legal accruals, partially offset by higher 2015 compliance-related expenses.

Pension Plans Because of the long-term nature of pension plans, the related accounting is complex and can be impacted by several factors, including investment funding policies, accounting methods and actuarial assumptions.

The Company's pension accounting reflects the long-term nature of the benefit obligations and the investment horizon of plan assets. Amounts recorded in the financial statements reflect actuarial assumptions about participant benefits and plan asset returns. Changes in actuarial assumptions and differences in actual plan experience, compared with actuarial assumptions, are deferred and recognized in expense in future periods. Differences related to participant benefits are recognized in expense over the future service period of the employees. Differences related to the expected return on plan assets are included in expense over a period of approximately fifteen years.

Pension expense is expected to decrease by \$44 million in 2017 primarily due to favorable experience study results and earnings on higher plan assets due to Company contributions, partially offset by a lower discount rate. Because of the complexity of forecasting pension plan activities, the accounting methods utilized for pension plans, the Company's ability to respond to factors affecting the plans and the hypothetical nature of actuarial assumptions, the actual pension expense decrease may differ from the expected amount.

Refer to Note 16 of the Notes to the Consolidated Financial Statements for further information on the Company's pension plan funding practices, investment policies and asset allocation strategies, and accounting policies for pension plans.

The following table shows an analysis of hypothetical changes in the discount rate and long-term rate of return ("LTROR"):

Discount Rate (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	\$ (94)	\$ 76
Percent of 2016 net income	(.98)%	.79%
LTROR (Dollars in Millions)	Down 100 Basis Points	Up 100 Basis Points
Incremental benefit (expense)	\$ (39)	\$ 39
Percent of 2016 net income	(.41)%	.41%

Income Tax Expense The provision for income taxes was \$2.2 billion (an effective rate of 26.7 percent) in 2016 and \$2.1 billion (an effective rate of 26.1 percent) in both 2015 and 2014.

For further information on income taxes, refer to Note 18 of the Notes to Consolidated Financial Statements.

Balance Sheet Analysis

Average earning assets were \$389.9 billion in 2016, compared with \$367.4 billion in 2015. The increase in average earning assets of \$22.4 billion (6.1 percent) was primarily due to increases in loans of \$17.3 billion (6.9 percent) and investment securities of \$4.8 billion (4.6 percent).

For average balance information, refer to Consolidated Daily Average Balance Sheet and Related Yields and Rates on pages 146 and 147.

Loans The Company's loan portfolio was \$273.2 billion at December 31, 2016, compared with \$260.8 billion at December 31, 2015, an increase of \$12.4 billion (4.7 percent). The increase was driven by increases in commercial loans of \$5.0 billion (5.6 percent), residential mortgages of \$3.8 billion (7.1 percent), commercial real estate loans of \$961 million (2.3 percent), credit card loans of \$737 million (3.5 percent) and other retail loans of \$2.7 billion (5.2 percent), partially offset by a decrease in covered loans of \$760 million (16.5 percent). Table 6 provides a summary of the loan distribution by product type, while Table 12 provides a summary of the selected loan maturity distribution by loan category. Average total loans increased \$17.3 billion (6.9 percent) in 2016, compared with 2015. The increase was due to growth in most loan portfolio classes in 2016.

Commercial Commercial loans, including lease financing, increased \$5.0 billion (5.6 percent) at December 31, 2016, compared with December 31, 2015. Average commercial loans increased \$8.0 billion (9.5 percent) in 2016, compared with 2015. The growth was primarily driven by higher demand from new and existing customers. Table 7 provides a summary of commercial loans by industry and geographical locations.

Commercial Real Estate The Company's portfolio of commercial real estate loans, which includes commercial mortgages and construction and development loans, increased \$961 million (2.3 percent) at December 31, 2016, compared with December 31, 2015, primarily the result of higher demand from new and existing customers. Average commercial real estate loans increased \$625 million (1.5 percent) in 2016, compared with 2015. Table 8 provides a summary of commercial real estate loans by property type and geographical location.

The Company reclassifies construction loans to the commercial mortgage category if permanent financing is provided by the Company. In 2016, approximately \$447 million of construction loans were reclassified to the commercial mortgage category. At December 31, 2016 and 2015, \$146 million and \$155 million, respectively, of tax-exempt industrial development loans were secured by real estate. The Company's commercial mortgage and construction and development loans had unfunded commitments of \$10.7 billion and \$10.4 billion at December 31, 2016 and 2015, respectively.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate but are subject to terms and conditions similar to commercial loans. These loans were included in the commercial loan category and totaled \$6.4 billion and \$5.8 billion at December 31, 2016 and 2015, respectively.

TABLE 6
Loan Portfolio Distribution

At December 31 (Dollars in Millions)	2016		2015		2014		2013		2012	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Commercial										
Commercial	\$ 87,928	32.2%	\$ 83,116	31.9%	\$ 74,996	30.2%	\$ 64,762	27.5%	\$ 60,742	27.2%
Lease financing	5,458	2.0	5,286	2.0	5,381	2.2	5,271	2.3	5,481	2.5
Total commercial	93,386	34.2	88,402	33.9	80,377	32.4	70,033	29.8	66,223	29.7
Commercial Real Estate										
Commercial mortgages	31,592	11.6	31,773	12.2	33,360	13.5	32,183	13.7	31,005	13.9
Construction and development	11,506	4.2	10,364	3.9	9,435	3.8	7,702	3.3	5,948	2.6
Total commercial real estate	43,098	15.8	42,137	16.1	42,795	17.3	39,885	17.0	36,953	16.5
Residential Mortgages										
Residential mortgages	43,632	16.0	40,425	15.5	38,598	15.6	37,545	15.9	32,648	14.6
Home equity loans, first liens	13,642	5.0	13,071	5.0	13,021	5.2	13,611	5.8	11,370	5.1
Total residential mortgages	57,274	21.0	53,496	20.5	51,619	20.8	51,156	21.7	44,018	19.7
Credit Card	21,749	7.9	21,012	8.1	18,515	7.5	18,021	7.7	17,115	7.7
Other Retail										
Retail leasing	6,316	2.3	5,232	2.0	5,871	2.4	5,929	2.5	5,419	2.4
Home equity and second mortgages	16,369	6.0	16,384	6.3	15,916	6.4	15,442	6.6	16,726	7.5
Revolving credit	3,282	1.2	3,354	1.3	3,309	1.3	3,276	1.4	3,332	1.5
Installment	8,087	3.0	7,030	2.7	6,242	2.5	5,709	2.4	5,463	2.4
Automobile	17,571	6.4	16,587	6.3	14,822	6.0	13,743	5.8	12,593	5.6
Student	2,239	.8	2,619	1.0	3,104	1.3	3,579	1.5	4,179	1.9
Total other retail	53,864	19.7	51,206	19.6	49,264	19.9	47,678	20.2	47,712	21.3
Total loans, excluding covered loans	269,371	98.6	256,253	98.2	242,570	97.9	226,773	96.4	212,021	94.9
Covered Loans	3,836	1.4	4,596	1.8	5,281	2.1	8,462	3.6	11,308	5.1
Total loans	\$273,207	100.0%	\$260,849	100.0%	\$247,851	100.0%	\$235,235	100.0%	\$223,329	100.0%

TABLE 7 Commercial Loans by Industry Group and Geography

At December 31 (Dollars in Millions)	2016		2015	
	Loans	Percent	Loans	Percent
Industry Group				
Manufacturing	\$13,779	14.8%	\$13,404	15.2%
Real estate, rental and leasing	10,553	11.3	9,514	10.8
Finance and insurance	8,728	9.3	8,288	9.4
Retail trade	7,573	8.1	6,846	7.7
Wholesale trade	7,552	8.1	8,069	9.1
Healthcare and social assistance	6,345	6.8	5,802	6.6
Public administration	4,546	4.9	4,190	4.7
Professional, scientific and technical services	3,744	4.0	3,493	4.0
Information	3,597	3.8	3,542	4.0
Transport and storage	3,561	3.8	3,262	3.7
Arts, entertainment and recreation	3,340	3.6	2,772	3.1
Educational services	3,167	3.4	2,791	3.2
Utilities	1,747	1.9	1,435	1.6
Mining	1,645	1.8	2,208	2.5
Other services	1,625	1.7	1,703	1.9
Agriculture, forestry, fishing and hunting	1,449	1.5	1,721	1.9
Other	10,435	11.2	9,362	10.6
Total	\$93,386	100.0%	\$88,402	100.0%
Geography				
California	\$12,677	13.6%	\$11,253	12.7%
Colorado	4,362	4.7	3,930	4.5
Illinois	4,636	5.0	4,636	5.3
Minnesota	7,093	7.6	7,166	8.1
Missouri	3,536	3.8	3,309	3.8
Ohio	4,270	4.6	4,063	4.6
Oregon	2,090	2.2	1,938	2.2
Washington	3,447	3.7	3,219	3.6
Wisconsin	3,512	3.8	2,936	3.3
Iowa, Kansas, Nebraska, North Dakota, South Dakota	4,900	5.2	4,543	5.1
Arkansas, Indiana, Kentucky, Tennessee	5,168	5.5	5,106	5.8
Idaho, Montana, Wyoming	1,251	1.3	1,427	1.6
Arizona, Nevada, New Mexico, Utah	3,487	3.7	3,280	3.7
Total banking region	60,429	64.7	56,806	64.3
Florida, Michigan, New York, Pennsylvania, Texas	15,467	16.6	15,819	17.9
All other states	17,490	18.7	15,777	17.8
Total outside Company's banking region	32,957	35.3	31,596	35.7
Total	\$93,386	100.0%	\$88,402	100.0%

Residential Mortgages Residential mortgages held in the loan portfolio at December 31, 2016, increased \$3.8 billion (7.1 percent) over December 31, 2015, reflecting higher origination activity during 2016. Average residential mortgages increased \$3.8 billion (7.4 percent) in 2016, compared with 2015. 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.

Credit Card Total credit card loans increased \$737 million (3.5 percent) at December 31, 2016, compared with December 31, 2015, reflecting new and existing customer growth during the period. Average credit card balances increased \$2.4 billion (13.5 percent) in 2016, compared with 2015. The increase reflected customer growth, including a portfolio acquisition in late 2015.

TABLE 8 Commercial Real Estate Loans by Property Type and Geography

At December 31 (Dollars in Millions)	2016		2015	
	Loans	Percent	Loans	Percent
Property Type				
Business owner occupied	\$ 10,899	25.3%	\$ 11,186	26.6%
Commercial property				
Industrial	1,631	3.8	1,530	3.6
Office	5,536	12.8	5,480	13.0
Retail	4,997	11.6	4,944	11.7
Other commercial	4,064	9.4	4,165	9.9
Multi-family	9,607	22.3	8,833	21.0
Hotel/motel	3,791	8.8	3,428	8.1
Residential homebuilders	2,311	5.4	2,319	5.5
Healthcare facilities	262	.6	252	.6
Total	\$43,098	100.0%	\$42,137	100.0%
Geography				
California	\$ 10,734	24.9%	\$ 10,456	24.8%
Colorado	1,819	4.2	2,004	4.8
Illinois	1,678	3.9	1,810	4.3
Minnesota	2,177	5.0	2,022	4.8
Missouri	1,372	3.2	1,382	3.3
Ohio	1,462	3.4	1,260	3.0
Oregon	2,094	4.9	1,988	4.7
Washington	3,435	8.0	3,422	8.1
Wisconsin	2,161	5.0	2,323	5.5
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,312	5.4	2,227	5.3
Arkansas, Indiana, Kentucky, Tennessee	1,810	4.2	1,708	4.1
Idaho, Montana, Wyoming	1,271	2.9	1,275	3.0
Arizona, Nevada, New Mexico, Utah	3,257	7.6	3,259	7.7
Total banking region	35,582	82.6	35,136	83.4
Florida, Michigan, New York, Pennsylvania, Texas	3,829	8.9	3,793	9.0
All other states	3,687	8.5	3,208	7.6
Total outside Company's banking region	7,516	17.4	7,001	16.6
Total	\$43,098	100.0%	\$42,137	100.0%

Other Retail Total other retail loans, which include retail leasing, home equity and second mortgages and other retail loans, increased \$2.7 billion (5.2 percent) at December 31, 2016, compared with December 31, 2015, reflecting higher auto and installment loans and retail leasing balances, partially offset by lower student loan balances. Average other retail loans increased \$3.3 billion (6.6 percent) in 2016, compared with 2015. The increase was primarily due to higher auto and installment loans, student loans, and home equity and second mortgage loan balances. Of the total residential mortgages, credit card and other

retail loans outstanding at December 31, 2016, approximately 73.3 percent were to customers located in the Company's primary banking region compared with 73.4 percent at December 31, 2015. Tables 9, 10 and 11 provide a geographic summary of residential mortgages, credit card loans and other retail loans outstanding, respectively, as of December 31, 2016 and 2015. The collateral for \$2.6 billion of residential mortgages and other retail loans included in covered loans at December 31, 2016 was in California, compared with \$3.1 billion at December 31, 2015.

TABLE 9 Residential Mortgages by Geography

At December 31 (Dollars in Millions)	2016		2015	
	Loans	Percent	Loans	Percent
California	\$ 15,115	26.4%	\$ 11,994	22.4%
Colorado	3,219	5.6	3,047	5.7
Illinois	3,071	5.4	2,991	5.6
Minnesota	4,200	7.3	4,035	7.6
Missouri	1,834	3.2	1,955	3.7
Ohio	2,230	3.9	2,322	4.3
Oregon	2,292	4.0	2,144	4.0
Washington	3,277	5.7	3,020	5.6
Wisconsin	1,546	2.7	1,556	2.9
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,146	3.8	2,188	4.1
Arkansas, Indiana, Kentucky, Tennessee	3,220	5.6	3,287	6.1
Idaho, Montana, Wyoming	1,276	2.2	1,209	2.3
Arizona, Nevada, New Mexico, Utah	4,203	7.4	3,773	7.1
Total banking region	47,629	83.2	43,521	81.4
Florida, Michigan, New York, Pennsylvania, Texas	4,191	7.3	4,321	8.1
All other states	5,454	9.5	5,654	10.5
Total outside Company's banking region	9,645	16.8	9,975	18.6
Total	\$57,274	100.0%	\$53,496	100.0%

TABLE 10 Credit Card Loans by Geography

At December 31 (Dollars in Millions)	2016		2015	
	Loans	Percent	Loans	Percent
California	\$ 2,188	10.1%	\$ 2,161	10.3%
Colorado	761	3.5	787	3.7
Illinois	1,072	4.9	1,046	5.0
Minnesota	1,287	5.9	1,350	6.4
Missouri	717	3.3	746	3.6
Ohio	1,179	5.4	1,238	5.9
Oregon	657	3.0	707	3.4
Washington	860	4.0	898	4.3
Wisconsin	1,007	4.6	1,050	5.0
Iowa, Kansas, Nebraska, North Dakota, South Dakota	1,036	4.8	996	4.7
Arkansas, Indiana, Kentucky, Tennessee	1,580	7.3	1,613	7.7
Idaho, Montana, Wyoming	376	1.7	406	1.9
Arizona, Nevada, New Mexico, Utah	1,044	4.8	1,031	4.9
Total banking region	13,764	63.3	14,029	66.8
Florida, Michigan, New York, Pennsylvania, Texas	4,076	18.7	3,600	17.1
All other states	3,909	18.0	3,383	16.1
Total outside Company's banking region	7,985	36.7	6,983	33.2
Total	\$21,749	100.0%	\$21,012	100.0%

TABLE 11 Other Retail Loans by Geography

At December 31 (Dollars in Millions)	2016		2015	
	Loans	Percent	Loans	Percent
California	\$ 8,468	15.7%	\$ 7,495	14.6%
Colorado	2,058	3.8	1,995	3.9
Illinois	3,111	5.8	3,000	5.8
Minnesota	3,537	6.6	3,600	7.0
Missouri	2,171	4.0	2,191	4.3
Ohio	2,764	5.1	2,740	5.4
Oregon	1,555	2.9	1,601	3.1
Washington	1,696	3.1	1,724	3.4
Wisconsin	1,565	2.9	1,651	3.2
Iowa, Kansas, Nebraska, North Dakota, South Dakota	2,355	4.4	2,318	4.5
Arkansas, Indiana, Kentucky, Tennessee	3,001	5.6	2,925	5.7
Idaho, Montana, Wyoming	978	1.8	963	1.9
Arizona, Nevada, New Mexico, Utah	2,772	5.2	2,539	5.0
Total banking region	36,031	66.9	34,742	67.8
Florida, Michigan, New York, Pennsylvania, Texas	9,807	18.2	8,858	17.3
All other states	8,026	14.9	7,606	14.9
Total outside Company's banking region	17,833	33.1	16,464	32.2
Total	\$53,864	100.0%	\$51,206	100.0%

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 primarily of residential mortgages to be sold in the secondary market, were

\$4.8 billion at December 31, 2016, compared with \$3.2 billion at December 31, 2015. The increase in loans held for sale was principally due to a higher level of mortgage loan closings in late 2016, compared with the same period of 2015. 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").

TABLE 12 Selected Loan Maturity Distribution

At December 31, 2016 (Dollars in Millions)	One Year or Less	Over One Through Five Years	Over Five Years	Total
Commercial	\$30,602	\$ 57,876	\$ 4,908	\$ 93,386
Commercial real estate	11,847	24,318	6,933	43,098
Residential mortgages	2,703	8,474	46,097	57,274
Credit card	21,749	—	—	21,749
Other retail	10,189	29,461	14,214	53,864
Covered loans	475	623	2,738	3,836
Total loans	\$77,565	\$120,752	\$74,890	\$273,207
Total of loans due after one year with				
Predetermined interest rates				\$ 87,407
Floating interest rates				\$108,235

Investment Securities The Company uses its investment securities portfolio to manage enterprise interest rate risk, provide liquidity (including the ability to meet regulatory requirements), generate interest and dividend income, and as collateral for public deposits and wholesale funding sources. While the Company intends to hold its investment securities indefinitely, it may sell available-for-sale securities in response to structural changes in the balance sheet and related interest rate risk and to meet liquidity requirements, among other factors.

Investment securities totaled \$109.3 billion at December 31, 2016, compared with \$105.6 billion at December 31, 2015. The \$3.7 billion (3.5 percent) increase reflected \$4.6 billion of net investment purchases, partially offset by an \$881 million unfavorable change in net unrealized gains (losses) on available-for-sale investment securities.

Average investment securities were \$107.9 billion in 2016, compared with \$103.2 billion in 2015. The weighted-average yield of the available-for-sale portfolio was 2.06 percent at December 31, 2016, compared with 2.21 percent at December 31, 2015. The weighted-average maturity of the available-for-sale portfolio was 5.1 years at December 31, 2016, compared with 4.7 years at December 31, 2015. The weighted-average yield of the held-to-maturity portfolio was 1.93 percent at December 31, 2016, compared with 1.92 percent at December 31, 2015. The weighted-average maturity of the held-to-maturity portfolio was 4.6 years at December 31, 2016, compared with 4.2 years at December 31, 2015. Investment securities by type are shown in Table 13.

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 December 31, 2016, the Company's net unrealized losses on available-for-sale securities were \$701 million, compared with net unrealized gains of \$180 million at December 31, 2015. The unfavorable change in net unrealized gains (losses) was primarily due to decreases in the fair value of U.S. Treasury, U.S. government agency-backed and state and political securities as a result of changes in interest rates. Gross unrealized losses on available-for-sale securities totaled \$1.0 billion at December 31, 2016, compared with \$480 million at December 31, 2015. The Company conducts a regular assessment of its investment portfolio to determine whether any securities are other-than-temporarily impaired. When assessing unrealized losses for other-than-temporary impairment, the Company considers the nature of the investment, the financial condition of the issuer, the extent and duration of unrealized loss, expected cash flows of underlying assets and market conditions. At December 31, 2016, 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 4 and 21 in the Notes to Consolidated Financial Statements for further information on investment securities.

TABLE 13
Investment Securities

	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)
At December 31, 2016 (Dollars in Millions)								
U.S. Treasury and Agencies								
Maturing in one year or less	\$ 3,219	\$ 3,218	.6	.74%	\$ 450	\$ 450	.5	.98%
Maturing after one year through five years	9,509	9,414	2.7	1.10	709	715	2.7	1.78
Maturing after five years through ten years	4,285	4,203	6.2	1.91	4,087	3,961	6.7	1.77
Maturing after ten years	301	292	10.2	2.26	—	—	—	—
Total	\$ 17,314	\$ 17,127	3.3	1.25%	\$ 5,246	\$ 5,126	5.6	1.71%
Mortgage-Backed Securities (a)								
Maturing in one year or less	\$ 161	\$ 165	.7	4.15%	\$ 271	\$ 273	.7	2.83%
Maturing after one year through five years	19,304	19,279	4.2	2.06	25,882	25,680	3.8	1.99
Maturing after five years through ten years	22,222	21,834	5.8	1.79	11,317	11,071	5.7	1.86
Maturing after ten years	2,304	2,312	12.2	1.70	237	239	11.1	1.62
Total	\$ 43,991	\$ 43,590	5.4	1.91%	\$ 37,707	\$ 37,263	4.4	1.96%
Asset-Backed Securities (a)								
Maturing in one year or less	\$ —	\$ —	—	—%	\$ —	\$ —	.1	1.38%
Maturing after one year through five years	252	256	3.9	3.18	5	8	3.1	1.39
Maturing after five years through ten years	223	227	5.4	3.49	2	2	5.8	1.53
Maturing after ten years	—	—	—	—	1	6	11.5	1.52
Total	\$ 475	\$ 483	4.6	3.32%	\$ 8	\$ 16	5.0	1.45%
Obligations of State and Political Subdivisions (b)(c)								
Maturing in one year or less	\$ 1,573	\$ 1,593	.4	7.09%	\$ —	\$ —	.3	8.20%
Maturing after one year through five years	517	530	2.6	6.15	—	—	2.5	8.15
Maturing after five years through ten years	1,771	1,732	8.1	5.30	6	7	8.8	3.30
Maturing after ten years	1,306	1,184	20.0	5.05	—	—	—	—
Total	\$ 5,167	\$ 5,039	8.2	5.87%	\$ 6	\$ 7	8.4	3.59%
Other Debt Securities								
Maturing in one year or less	\$ —	\$ —	—	—%	\$ 8	\$ 8	.3	2.15%
Maturing after one year through five years	—	—	—	—	16	15	3.8	1.65
Maturing after five years through ten years	—	—	—	—	—	—	—	—
Maturing after ten years	11	9	20.4	5.65	—	—	—	—
Total	\$ 11	\$ 9	20.4	5.65%	\$ 24	\$ 23	2.6	1.82%
Other Investments	\$ 27	\$ 36	—	—%	\$ —	\$ —	—	—%
Total investment securities (d)	\$ 66,985	\$ 66,284	5.1	2.06%	\$ 42,991	\$ 42,435	4.6	1.93%

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

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

(c) 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 contractual maturity for securities with a fair value equal to or below par.

(d) The weighted-average maturity of the available-for-sale investment securities was 4.7 years at December 31, 2015, with a corresponding weighted-average yield of 2.21 percent. The weighted-average maturity of the held-to-maturity investment securities was 4.2 years at December 31, 2015, with a corresponding weighted-average yield of 1.92 percent.

(e) Weighted-average yields are presented on a fully-taxable equivalent basis under a tax rate of 35 percent. Yields on available-for-sale and held-to-maturity 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. Weighted-average yield and maturity calculations exclude equity securities that have no stated yield or maturity.

	2016		2015	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
At December 31 (Dollars in Millions)				
U.S. Treasury and agencies	\$ 22,560	20.5%	\$ 7,536	7.2%
Mortgage-backed securities	81,698	74.3	91,265	86.6
Asset-backed securities	483	.4	558	.5
Obligations of state and political subdivisions	5,173	4.7	5,157	4.9
Other debt securities and investments	62	.1	891	.8
Total investment securities	\$ 109,976	100.0%	\$ 105,407	100.0%

TABLE 14 Deposits

The composition of deposits was as follows:

At December 31 (Dollars in Millions)	2016		2015		2014		2013		2012	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Noninterest-bearing deposits	\$ 86,097	25.7%	\$ 83,766	27.9%	\$ 77,323	27.3%	\$ 76,941	29.4%	\$ 74,172	29.8%
Interest-bearing deposits										
Interest checking	66,298	19.8	59,169	19.7	55,058	19.5	52,140	19.9	50,430	20.2
Money market savings	109,947	32.9	86,159	28.7	76,536	27.1	59,772	22.8	50,987	20.5
Savings accounts	41,783	12.5	38,468	12.8	35,249	12.4	32,469	12.4	30,811	12.4
Total savings deposits	218,028	65.2	183,796	61.2	166,843	59.0	144,381	55.1	132,228	53.1
Time deposits less than \$100,000	8,040	2.4	9,050	3.0	10,609	3.8	11,784	4.5	13,744	5.5
Time deposits greater than \$100,000										
Domestic	7,230	2.2	7,272	2.4	10,636	3.8	9,527	3.6	12,148	4.8
Foreign	15,195	4.5	16,516	5.5	17,322	6.1	19,490	7.4	16,891	6.8
Total interest-bearing deposits	248,493	74.3	216,634	72.1	205,410	72.7	185,182	70.6	175,011	70.2
Total deposits	\$334,590	100.0%	\$300,400	100.0%	\$282,733	100.0%	\$262,123	100.0%	\$249,183	100.0%

The maturity of time deposits was as follows:

At December 31, 2016 (Dollars in Millions)	Time Deposits Less Than \$100,000		Time Deposits Greater Than \$100,000		
			Domestic	Foreign	Total
Three months or less	\$ 1,472		\$ 1,641	\$ 14,969	\$18,082
Three months through six months	1,028		1,316	109	2,453
Six months through one year	1,439		1,337	117	2,893
Thereafter	4,101		2,936	—	7,037
Total	\$ 8,040		\$ 7,230	\$ 15,195	\$30,465

Deposits Total deposits were \$334.6 billion at December 31, 2016, compared with \$300.4 billion at December 31, 2015. The \$34.2 billion (11.4 percent) increase in total deposits reflected growth in total savings and noninterest-bearing deposits, partially offset by a decrease in time deposits. Average total deposits in 2016 increased \$25.7 billion (8.9 percent) over 2015.

Noninterest-bearing deposits at December 31, 2016, increased \$2.3 billion (2.8 percent) over December 31, 2015. Average noninterest-bearing deposits increased \$2.0 billion (2.5 percent) in 2016, compared with 2015. The increases reflected growth in Consumer and Small Business Banking and Wholesale Banking and Commercial Real Estate balances.

Interest-bearing savings deposits increased \$34.2 billion (18.6 percent) at December 31, 2016, compared with December 31, 2015. The increase was related to higher money market, interest checking and savings account balances. Money market deposit balances increased \$23.8 billion (27.6 percent) at December 31, 2016, compared with December 31, 2015, primarily due to higher Wholesale Banking and Commercial Real Estate and Wealth Management and Securities Services balances. Interest checking balances increased \$7.1 billion (12.0 percent) primarily due to higher Consumer and Small Business Banking, Wholesale Banking and Commercial Real Estate, corporate trust, and broker dealer balances. Savings account balances increased \$3.3 billion (8.6 percent), primarily due to higher Consumer and Small Business Banking balances. Average interest-bearing savings deposits in 2016 increased \$26.2 billion (15.2 percent), compared with 2015, reflecting growth in Wholesale Banking and Commercial Real Estate,

Consumer and Small Business Banking, and Wealth Management and Securities Services.

Interest-bearing time deposits at December 31, 2016, decreased \$2.4 billion (7.2 percent), compared with December 31, 2015. Average time deposits decreased \$2.6 billion (7.2 percent) in 2016, compared with 2015. The decreases were primarily due to lower Consumer and Small Business Banking balances driven by maturities, as well as declines related to those deposits managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics.

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 \$14.0 billion at December 31, 2016, compared with \$27.9 billion at December 31, 2015. The \$13.9 billion (49.9 percent) decrease in short-term borrowings was primarily driven by lower commercial paper balances.

Long-term debt was \$33.3 billion at December 31, 2016, compared with \$32.1 billion at December 31, 2015. The \$1.2 billion (3.9 percent) increase was primarily due to the issuances of \$4.5 billion of bank notes, \$2.6 billion of medium-term notes and \$1.0 billion of subordinated notes, partially offset by \$6.3 billion of bank note, medium-term note and subordinated note repayments and maturities and a \$523 million decrease in Federal Home Loan Bank ("FHLB") advances.

Refer to Notes 12 and 13 of the Notes to Consolidated Financial Statements for additional information regarding short-term borrowings and long-term debt, and 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, mortgage loans held for sale ("MLHFS"), 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 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. Compliance risk also arises in situations where the laws or rules governing certain Company products or activities of the Company's customers may be ambiguous or untested. Strategic risk is the risk to earnings or capital arising from adverse business decisions

or improper implementation of those decisions. 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" beginning on page 148, for a detailed discussion of these factors.

The Company's Board 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;
- 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. The strategy also emphasizes diversification on a geographic, industry and customer level, regular credit examinations and management reviews of loans exhibiting deterioration of credit quality. 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. The Company obtains recent collateral value estimates for the majority of its residential mortgage and home equity and second mortgage portfolios, which allows the Company to compute estimated loan-to-value ("LTV") ratios reflecting current market conditions. These individual refreshed LTV ratios are considered in the determination of the appropriate allowance for credit losses. However, the underwriting criteria the Company employs consider the relevant income and credit characteristics of the borrower, such that the collateral is not the primary source of repayment. The Company strives to identify potential problem loans early, record any necessary charge-offs promptly and maintain appropriate allowance levels for probable incurred loan losses. Refer to Notes 1 and 5 in the Notes to Consolidated Financial Statements for further discussion of the Company's loan portfolios including internal credit quality ratings.

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 December 31, 2016, substantially all of the Company's home equity lines were in the draw period. Approximately \$1.1 billion, or 8 percent, of the outstanding home equity line balances at December 31, 2016, 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 in some cases, updated LTV information 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.

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. The Company also engages in non-lending activities that may give rise to credit risk, including derivative transactions for balance sheet hedging purposes, foreign exchange transactions, deposit overdrafts and interest rate contracts for customers, investments in securities and other financial assets, and settlement risk, including Automated Clearing House transactions and the processing of credit card transactions for merchants. These activities are subject to credit review, analysis and approval processes.

Economic and Other Factors 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.

Over the past several years, economic conditions generally have stabilized and the financial markets have slowly improved. During 2016, the domestic economy expanded at a moderate rate, driven primarily by consumer spending due to gains in household income and wealth. The Federal Reserve Bank began to slowly increase short-term interest rates beginning in late 2015 in conjunction with the improving economy. Periodic increases in short-term interest rates are anticipated to accelerate over the next few years, as economic conditions are expected to continue to improve at a more accelerated pace. However, business activities across certain industries and regions continue to face challenges due to slow global economic growth. If commodity prices, inclusive of energy, decline or remain depressed for an extended period of time, certain industries and the overall economy could be negatively impacted. In addition, any deterioration in global economic conditions, including those that could follow a withdrawal of the United Kingdom from the European Union and other political trends toward nationalism, could slow the recovery of the domestic economy or negatively impact the Company's borrowers or other counterparties that have direct or indirect exposure to these regions.

Credit Diversification The Company manages its credit risk, in part, through diversification of its loan portfolio and limit setting by product type criteria and concentrations. As part of its normal business activities, the Company offers a broad array of traditional commercial lending products and specialized products such as asset-based lending, commercial lease financing, agricultural credit, warehouse mortgage lending, small business

lending, commercial real estate lending, health care lending and correspondent banking financing. The Company also offers an array of consumer lending products, including residential mortgages, credit card loans, auto loans, retail leases, home equity loans and lines, revolving credit and other consumer loans. These consumer lending products are primarily offered through the branch office network, home mortgage and loan production offices, on-line banking and indirect distribution channels, such as auto dealers. The Company monitors and manages the portfolio diversification by industry, customer and geography. Table 6 provides information with respect to the overall product diversification and changes in the mix during 2016.

The commercial loan class is diversified among various industries with somewhat higher concentrations in manufacturing, finance and insurance, retail trade, wholesale trade, and real estate, rental and leasing. Additionally, the commercial loan class is diversified across the Company's geographical markets with 64.7 percent of total commercial loans within the Company's Consumer and Small Business Banking region. Credit relationships outside of the Company's Consumer and Small Business Banking region relate to the corporate banking, mortgage banking, auto dealer and leasing businesses, focusing on large national customers and specifically targeted industries. Loans to mortgage banking customers are primarily warehouse lines which are collateralized with the underlying mortgages. The Company regularly monitors its mortgage collateral position to manage its risk exposure. Table 7 provides a summary of significant industry groups and geographical locations of commercial loans outstanding at December 31, 2016 and 2015. Included within the commercial lending segment are energy loans, which represented 1.0 percent of the Company's total loans outstanding at December 31, 2016. The effects of low energy prices during 2016 have increased criticized commitments and nonperforming loans at December 31, 2016 compared with December 31, 2015.

The following table provides a summary of the Company's energy loans:

(Dollars in Millions)	December 31, 2016	December 31, 2015
Loans outstanding	\$ 2,642	\$ 3,183
Total commitments outstanding	10,955	12,118
Total criticized commitments outstanding	2,847	1,886
Nonperforming assets	257	19
Allowance for credit losses as a percentage of loans outstanding	7.8%	5.4%

The commercial real estate loan class reflects the Company's focus on serving business owners within its geographic footprint as well as regional and national investment-based real estate owners and builders. Within the commercial real estate loan class, different property types have varying degrees of credit risk.

Table 8 provides a summary of the significant property types and geographical locations of commercial real estate loans outstanding at December 31, 2016 and 2015. At December 31, 2016, approximately 25.3 percent of the commercial real estate loans represented business owner-occupied properties that tend to exhibit less credit risk than non owner-occupied properties. The investment-based real estate mortgages are diversified among various property types with somewhat higher concentrations in multi-family, office and retail properties. From a geographical perspective, the Company's commercial real estate loan class is generally well diversified. However, at December 31, 2016, 24.9 percent of the Company's commercial real estate loans were secured by collateral in California, which has historically experienced higher delinquency levels and credit quality deterioration in recessionary periods due to excess inventory levels and declining valuations. Included in commercial real estate at year-end 2016 was approximately \$657 million in loans related to land held for development and \$623 million of loans related to residential and commercial acquisition and development properties. These loans are subject to quarterly monitoring for changes in local market conditions due to a higher credit risk profile. The commercial real estate loan class is diversified across the Company's geographical markets with 82.6 percent of total commercial real estate loans outstanding at December 31, 2016, within the Company's Consumer and Small Business Banking region.

The Company's consumer lending segment utilizes several distinct business processes and channels to originate consumer credit, including traditional branch lending, on-line banking, indirect lending, portfolio acquisitions, 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, 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 December 31, 2016:

Residential Mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Loan-to-Value				
Less than or equal to 80%	\$ 1,741	\$ 46,487	\$ 48,228	84.2%
Over 80% through 90%	26	3,464	3,490	6.1
Over 90% through 100%	20	919	939	1.7
Over 100%	8	813	821	1.4
No LTV available	2	63	65	.1
Loans purchased from GNMA mortgage pools (a)				
Total	\$ 1,797	\$ 55,477	\$ 57,274	100.0%
Borrower Type				
Prime borrowers	\$ 1,796	\$ 50,331	\$ 52,127	91.0%
Sub-prime borrowers	—	940	940	1.7
Other borrowers	1	475	476	.8
Loans purchased from GNMA mortgage pools (a)				
Total	\$ 1,797	\$ 55,477	\$ 57,274	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%	\$ 11,620	\$ 559	\$ 12,179	74.4%
Over 80% through 90%	2,151	656	2,807	17.2
Over 90% through 100%	636	153	789	4.8
Over 100%	422	37	459	2.8
No LTV/CLTV available	118	17	135	.8
Total	\$ 14,947	\$ 1,422	\$ 16,369	100.0%
Borrower Type				
Prime borrowers	\$ 14,592	\$ 1,315	\$ 15,907	97.2%
Sub-prime borrowers	62	95	157	.9
Other borrowers	293	12	305	1.9
Total	\$ 14,947	\$ 1,422	\$ 16,369	100.0%

The total amount of consumer lending segment residential mortgage, home equity and second mortgage loans to customers that may be defined as sub-prime borrowers represented only 0.2 percent of total assets at December 31, 2016, compared with 0.3 percent at December 31, 2015. The Company considers sub-prime loans to be those 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 \$16.4 billion at December 31, 2016, unchanged from December 31, 2015, and included \$4.9 billion of home equity lines in a first lien position and \$11.5 billion of home equity and second mortgage loans and lines in a junior lien position. Loans and lines in a junior lien position at December 31, 2016, included approximately \$4.7 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 December 31, 2016:

(Dollars in Millions)	Junior Liens Behind		Total
	Company Owned or Serviced First Lien	Third Party First Lien	
Total	\$ 4,754	\$ 6,761	\$ 11,515
Percent 30-89 days past due	.29%	.41%	.36%
Percent 90 days or more past due	.09%	.10%	.09%
Weighted-average CLTV	73%	70%	71%
Weighted-average credit score	775	768	771

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.

Credit card and other retail loans are diversified across customer segment and geographies. Diversification in the credit card portfolio is achieved with broad customer relationship distribution through the Company's and financial institution partner branches, retail and affinity partners, and digital channels.

Tables 9, 10 and 11 provide a geographical summary of the residential mortgage, credit card and other retail loan portfolios, respectively.

Covered assets were acquired by the Company in FDIC-assisted transactions and include loans with characteristics indicative of a high credit risk profile, including a substantial concentration in California and loans with negative-amortization payment options. Because these loans are covered under loss sharing agreements with the FDIC, the Company's financial exposure to losses from these assets is substantially reduced. To the extent actual losses exceed the Company's estimates at acquisition, the Company's financial risk would only be its share of those losses under the loss sharing agreements. As of December 31, 2016, the loss share coverage provided by the FDIC has expired on all previously covered assets, except for residential mortgages and home equity and second mortgage loans that remain covered under loss sharing agreements with remaining terms of up to three years.

TABLE 15 Loan Ratios as a Percent of Ending Loan Balances**Delinquent**

At December 31 90 days or more past due excluding nonperforming loans	2016	2015	2014	2013	2012
Commercial					
Commercial	.06%	.06%	.05%	.08%	.10%
Lease financing	—	—	—	—	—
Total commercial	.06	.05	.05	.08	.09
Commercial Real Estate					
Commercial mortgages	.01	—	.02	.02	.02
Construction and development	.05	.13	.14	.30	.02
Total commercial real estate	.02	.03	.05	.07	.02
Residential Mortgages (a)	.27	.33	.40	.65	.64
Credit Card	1.16	1.09	1.13	1.17	1.27
Other Retail					
Retail leasing	.02	.02	.02	—	.02
Home equity and second mortgages	.25	.25	.26	.32	.30
Other	.13	.11	.12	.14	.17
Total other retail (b)	.15	.15	.15	.18	.20
Total loans, excluding covered loans	.20	.21	.23	.31	.31
Covered Loans	5.53	6.31	7.48	5.63	5.86
Total loans	.28%	.32%	.38%	.51%	.59%

At December 31 90 days or more past due including nonperforming loans	2016	2015	2014	2013	2012
Commercial	.57%	.25%	.19%	.27%	.27%
Commercial real estate	.31	.33	.65	.83	1.50
Residential mortgages (a)	1.31	1.66	2.07	2.16	2.14
Credit card	1.18	1.13	1.30	1.60	2.12
Other retail (b)	.45	.46	.53	.58	.66
Total loans, excluding covered loans	.71	.67	.83	.97	1.11
Covered loans	5.68	6.48	7.74	7.13	9.28
Total loans	.78%	.78%	.97%	1.19%	1.52%

(a) Delinquent loan ratios exclude \$2.5 billion, \$2.9 billion, \$3.1 billion, \$3.7 billion, and \$3.2 billion at December 31, 2016, 2015, 2014, 2013, and 2012, respectively, 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 5.73 percent, 7.15 percent, 8.02 percent, 9.34 percent, and 9.45 percent at December 31, 2016, 2015, 2014, 2013, and 2012, respectively.

(b) Delinquent loan ratios exclude student loans that are guaranteed by the federal government. Including these loans, the ratio of total other retail loans 90 days or more past due including all nonperforming loans was .63 percent, .75 percent, .84 percent, .93 percent, and 1.08 percent at December 31, 2016, 2015, 2014, 2013, and 2012, respectively.

Loan Delinquencies Trends in delinquency ratios are an indicator, among other considerations, of credit risk within the Company's loan portfolios. The entire balance of an account is considered delinquent if the minimum payment contractually required to be made is not received by the specified date on the billing statement. The Company measures delinquencies, both including and excluding nonperforming loans, to enable comparability with other companies. Delinquent 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, as well as student loans guaranteed by the federal government, are excluded from delinquency statistics. In addition, in certain situations, a consumer lending customer's account may be re-aged to remove it from delinquent status. Generally, the purpose of re-aging accounts is to assist customers who have recently overcome temporary financial difficulties, and have demonstrated both the ability and willingness to resume regular payments. To

qualify for re-aging, the account must have been open for at least nine months and cannot have been re-aged during the preceding 365 days. An account may not be re-aged more than two times in a five-year period. To qualify for re-aging, the customer must also have made three regular minimum monthly payments within the last 90 days. In addition, the Company may re-age the consumer lending account of a customer who has experienced longer-term financial difficulties and apply modified, concessionary terms and conditions to the account. Such additional re-ages are limited to one in a five-year period and must meet the qualifications for re-aging described above. All re-aging strategies must be independently approved by the Company's risk management department. Commercial lending loans are generally not subject to re-aging policies.

Accruing loans 90 days or more past due totaled \$764 million (\$552 million excluding covered loans) at December 31, 2016, compared with \$831 million (\$541 million excluding covered loans) at December 31, 2015, and \$945 million (\$550 million excluding covered loans) at December 31, 2014. 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 0.28 percent (0.20 percent excluding covered loans) at December 31, 2016, compared with 0.32 percent (0.21 percent excluding covered loans) at December 31, 2015, and 0.38 percent (0.23 percent excluding covered loans) at December 31, 2014.

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

At December 31 (Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	2016	2015	2016	2015
Residential Mortgages (a)				
30-89 days	\$ 151	\$ 170	.26%	.32%
90 days or more	156	176	.27	.33
Nonperforming	595	712	1.04	1.33
Total	\$ 902	\$ 1,058	1.57%	1.98%
Credit Card				
30-89 days	\$ 284	\$ 243	1.31%	1.15%
90 days or more	253	228	1.16	1.09
Nonperforming	3	9	.01	.04
Total	\$ 540	\$ 480	2.48%	2.28%
Other Retail				
Retail Leasing				
30-89 days	\$ 18	\$ 11	.28%	.21%
90 days or more	1	1	.02	.02
Nonperforming	2	3	.03	.06
Total	\$ 21	\$ 15	.33%	.29%
Home Equity and Second Mortgages				
30-89 days	\$ 60	\$ 59	.37%	.36%
90 days or more	41	41	.25	.25
Nonperforming	128	136	.78	.83
Total	\$ 229	\$ 236	1.40%	1.44%
Other (b)				
30-89 days	\$ 206	\$ 154	.66%	.52%
90 days or more	41	33	.13	.11
Nonperforming	27	23	.09	.08
Total	\$ 274	\$ 210	.88%	.71%

(a) Excludes \$273 million of loans 30-89 days past due and \$2.5 billion of loans 90 days or more past due at December 31, 2016, purchased from GNMA mortgage pools that continue to accrue interest, compared with \$320 million and \$2.9 billion at December 31, 2015, respectively.

(b) Includes revolving credit, installment, automobile and student loans.

The following table provides summary delinquency information for covered loans:

At December 31 (Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	2016	2015	2016	2015
30-89 days	\$ 55	\$ 62	1.43%	1.35%
90 days or more	212	290	5.53	6.31
Nonperforming	6	8	.16	.17
Total	\$ 273	\$ 360	7.12%	7.83%

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 December 31, 2016, performing TDRs were \$4.2 billion, compared with \$4.7 billion, \$5.1 billion, \$6.0 billion and \$5.6 billion at December 31, 2015, 2014, 2013 and 2012, respectively. 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 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 participates in the United States Department of the Treasury Home Affordable Modification Program ("HAMP"). HAMP gives qualifying homeowners an opportunity to permanently modify their loan and achieve more affordable monthly payments, with the United States Department of the Treasury compensating the Company for a portion of the reduction in monthly amounts due from borrowers participating in this program. The Company also modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, and its own internal programs. Under these programs, the Company provides concessions to qualifying borrowers experiencing financial difficulties. The 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.

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 December 31, 2016 (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	\$ 366	1.4%	1.3%	\$ 313(a)	\$ 679
Commercial real estate	169	2.1	.1	22(b)	191
Residential mortgages	1,679	3.1	3.8	425	2,104(d)
Credit card	219	11.1	7.1	3(c)	222
Other retail	124	4.5	3.7	49(c)	173(e)
TDRs, excluding GNMA and covered loans	2,557	3.6	3.5	812	3,369
Loans purchased from GNMA mortgage pools (g)	1,574	—	—	—	1,574(f)
Covered loans	30	3.5	9.8	5	35
Total	\$ 4,161	2.2%	2.2%	\$ 817	\$4,978

(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 \$270 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and \$70 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(e) Includes \$89 million of other retail loans to borrowers that have had debt discharged through bankruptcy and \$7 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(f) Includes \$346 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 \$466 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

(g) Approximately 4.9 percent and 68.7 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 modifications were not material at December 31, 2016.

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 December 31, 2016, total nonperforming assets were \$1.6 billion, compared with \$1.5 billion at December 31, 2015 and \$1.8 billion at December 31, 2014. The \$80 million (5.3 percent) increase in nonperforming assets, from December 31, 2015 to December 31, 2016, was primarily driven by a \$238 million increase in nonperforming commercial loans within the energy portfolio, partially offset by improvements in the Company's residential real estate portfolio, as economic conditions continued to slowly improve during 2016. Excluding energy loans, nonperforming assets decreased 10.5 percent at December 31, 2016, compared with December 31, 2015. Nonperforming covered assets at December 31, 2016 were \$32 million, compared with \$40 million at December 31, 2015 and \$51 million at December 31, 2014. The ratio of total nonperforming assets to total loans and other real estate was 0.59 percent at December 31, 2016, compared with 0.58 percent at December 31, 2015, and 0.73 percent at December 31, 2014.

OREO, excluding covered assets, was \$186 million at December 31, 2016, compared with \$280 million at December 31, 2015 and \$288 million at December 31, 2014, 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.

TABLE 16 Nonperforming Assets (a)

At December 31 (Dollars in Millions)	2016	2015	2014	2013	2012
Commercial					
Commercial	\$ 443	\$ 160	\$ 99	\$ 122	\$ 107
Lease financing	40	14	13	12	16
Total commercial	483	174	112	134	123
Commercial Real Estate					
Commercial mortgages	87	92	175	182	308
Construction and development	37	35	84	121	238
Total commercial real estate	124	127	259	303	546
Residential Mortgages (b)	595	712	864	770	661
Credit Card	3	9	30	78	146
Other Retail					
Retail leasing	2	3	1	1	1
Home equity and second mortgages	128	136	170	167	189
Other	27	23	16	23	27
Total other retail	157	162	187	191	217
Total nonperforming loans, excluding covered loans	1,362	1,184	1,452	1,476	1,693
Covered Loans	6	8	14	127	386
Total nonperforming loans	1,368	1,192	1,466	1,603	2,079
Other Real Estate (c)(d)	186	280	288	327	381
Covered Other Real Estate (d)	26	32	37	97	197
Other Assets	23	19	17	10	14
Total nonperforming assets	\$ 1,603	\$ 1,523	\$ 1,808	\$ 2,037	\$ 2,671
Total nonperforming assets, excluding covered assets	\$ 1,571	\$ 1,483	\$ 1,757	\$ 1,813	\$ 2,088
Excluding covered assets					
Accruing loans 90 days or more past due (b)	\$ 552	\$ 541	\$ 550	\$ 713	\$ 660
Nonperforming loans to total loans	.51%	.46%	.60%	.65%	.80%
Nonperforming assets to total loans plus other real estate (c)	.58%	.58%	.72%	.80%	.98%
Including covered assets					
Accruing loans 90 days or more past due (b)	\$ 764	\$ 831	\$ 945	\$ 1,189	\$ 1,323
Nonperforming loans to total loans	.50%	.46%	.59%	.68%	.93%
Nonperforming assets to total loans plus other real estate (c)	.59%	.58%	.73%	.86%	1.19%

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, 2015	\$ 336	\$ 1,147	\$ 40	\$ 1,523
Additions to nonperforming assets				
New nonaccrual loans and foreclosed properties	1,051	431	22	1,504
Advances on loans	59	—	—	59
Total additions	1,110	431	22	1,563
Reductions in nonperforming assets				
Paydowns, payoffs	(273)	(256)	(3)	(532)
Net sales	(218)	(184)	(25)	(427)
Return to performing status	(29)	(119)	(1)	(149)
Charge-offs (e)	(303)	(71)	(1)	(375)
Total reductions	(823)	(630)	(30)	(1,483)
Net additions to (reductions in) nonperforming assets	287	(199)	(8)	80
Balance December 31, 2016	\$ 623	\$ 948	\$ 32	\$ 1,603

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

(b) Excludes \$2.5 billion, \$2.9 billion, \$3.1 billion, \$3.7 billion and \$3.2 billion at December 31, 2016, 2015, 2014, 2013 and 2012, 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 \$373 million, \$535 million, \$641 million, \$527 million and \$548 million at December 31, 2016, 2015, 2014, 2013 and 2012, 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) Includes equity investments in entities whose principal assets are other real estate owned.

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

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:

At December 31 (Dollars in Millions)	Amount		As a Percent of Ending Loan Balances	
	2016	2015	2016	2015
Residential				
Illinois	\$ 15	\$ 18	.35%	.42%
Minnesota	12	23	.19	.37
Wisconsin	11	11	.50	.49
New York	9	9	1.16	1.13
Ohio	9	17	.31	.56
All other states	119	172	.21	.32
Total residential	175	250	.24	.36
Commercial				
California	4	11	.02	.05
Tennessee	1	1	.04	.04
Iowa	1	1	.03	.04
Illinois	1	5	.02	.08
New Jersey	1	1	.04	.04
All other states	3	11	—	.01
Total commercial	11	30	.01	.02
Total	\$ 186	\$ 280	.07%	.11%

TABLE 17 Net Charge-Offs as a Percent of Average Loans Outstanding

Year Ended December 31	2016	2015	2014	2013	2012
Commercial					
Commercial	.35%	.26%	.26%	.19%	.43%
Lease financing	.34	.27	.17	.06	.63
Total commercial	.35	.26	.26	.18	.45
Commercial Real Estate					
Commercial mortgages	(.01)	.02	(.03)	.08	.37
Construction and development	(.08)	(.33)	(.05)	(.87)	.86
Total commercial real estate	(.03)	(.07)	(.03)	(.09)	.45
Residential Mortgages	.11	.21	.38	.57	1.09
Credit Card	3.30	3.61	3.73	3.90	4.01
Other Retail					
Retail leasing	.09	.09	.03	.02	.04
Home equity and second mortgages	.01	.24	.61	1.33	1.72
Other	.71	.65	.71	.81	.94
Total other retail	.42	.45	.60	.89	1.13
Total loans, excluding covered loans	.48	.48	.57	.66	1.03
Covered Loans	—	—	.15	.32	.08
Total loans	.47%	.47%	.55%	.64%	.97%

Analysis of Loan Net Charge-offs Total loan net charge-offs were \$1.3 billion in 2016, compared with \$1.2 billion in 2015 and \$1.3 billion in 2014. The increase in total net charge-offs in 2016, compared with 2015, reflected higher commercial loan net charge-offs and lower commercial real estate recoveries, partially offset by lower charge-offs related to residential mortgages and home equity loans. The ratio of total loan net charge-offs to average loans was 0.47 percent in 2016, compared with 0.47 percent in 2015 and 0.55 percent in 2014.

Commercial and commercial real estate loan net charge-offs for 2016 were \$312 million (0.23 percent of average loans outstanding), compared with \$191 million (0.15 percent of average loans outstanding) in 2015 and \$182 million (0.16 percent of average loans outstanding) in 2014. The increase in net charge-offs in 2016, compared with 2015, reflected higher commercial loan net charge-offs and lower commercial real estate recoveries in 2016. The increase in net charge-offs in 2015, compared with 2014, reflected lower commercial loan recoveries in 2015.

Residential mortgage loan net charge-offs for 2016 were \$60 million (0.11 percent of average loans outstanding), compared with \$109 million (0.21 percent of average loans outstanding) in 2015 and \$195 million (0.38 percent of average loans outstanding) in 2014. Credit card loan net charge-offs in 2016 were \$676 million (3.30 percent of average loans outstanding), compared with \$651 million (3.61 percent of average loans outstanding) in 2015 and \$658 million (3.73 percent of average loans outstanding) in 2014. Other retail loan net charge-offs for 2016 were \$221 million (0.42 percent of average loans outstanding), compared with \$221 million (0.45 percent of average loans outstanding) in 2015 and \$288 million (0.60 percent of average loans outstanding) in 2014. The decrease in total residential mortgage, credit card and other retail loan net charge-offs in 2016, compared with 2015, reflected continued improvement in economic conditions during 2016. The decrease in total residential mortgage, credit card and other retail loan net charge-offs in 2015, compared with 2014, reflected improvement in economic conditions during 2015.

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 operating earnings and reduced by net charge-offs. Management evaluates the allowance each quarter to ensure it appropriately reserves for incurred losses. The evaluation of each element and the overall allowance is based on a continuing assessment of problem loans, recent loss experience and other factors, including external factors such as regulatory guidance and economic conditions. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its

liability for unfunded credit commitments, which is included in other liabilities in the Consolidated Balance Sheet. Both the allowance for loan losses and the liability for unfunded credit commitments are included in the Company's analysis of credit losses and reported reserve ratios.

At December 31, 2016, the allowance for credit losses was \$4.4 billion (1.59 percent of period-end loans), compared with an allowance of \$4.3 billion (1.65 percent of period-end loans) at December 31, 2015. The ratio of the allowance for credit losses to nonperforming loans was 318 percent at December 31, 2016, compared with 361 percent at December 31, 2015, reflecting an increase in nonperforming loans within the energy portfolio. The ratio of the allowance for credit losses to annual loan net charge-offs at December 31, 2016, was 343 percent, compared with 367 percent at December 31, 2015, reflecting higher total net charge-offs during 2016. Management determined the allowance for credit losses was appropriate at December 31, 2016.

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. In the migration analysis applied to risk rated loan portfolios, the Company currently examines up to a 16-year period of historical 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 an appropriate historical timeframe is selected 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, bankruptcy experience, and historical losses, adjusted for current trends. The allowance established for commercial lending segment loans was \$2.3 billion at December 31, 2016, compared with \$2.0 billion at December 31, 2015, reflecting growth in the portfolios and the uncertain outlook for loans in the energy portfolio. At December 31, 2016 the Company had credit reserves of 7.8 percent of total energy loan balances, compared with 5.4 percent at December 31, 2015.

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 December 31, 2016, the Company serviced the first lien on 41 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 serviced 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 \$313 million or 1.9 percent of its total home equity portfolio at December 31, 2016, 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 1.1 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 established for consumer lending segment loans was \$2.1 billion at December 31, 2016, compared with \$2.3 billion at December 31, 2015. The \$196 million (8.7 percent) decrease in the allowance for consumer lending segment loans at December 31, 2016, compared with December 31, 2015, reflected the impact of improving economic conditions during 2016, partially offset by portfolio growth.

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. The allowance established for covered loans was \$34 million at December 31, 2016, compared with \$38 million at December 31, 2015, reflecting expected credit losses in excess of initial fair value adjustments.

TABLE 18 Summary of Allowance for Credit Losses

(Dollars in Millions)	2016	2015	2014	2013	2012
Balance at beginning of year	\$4,306	\$4,375	\$4,537	\$4,733	\$5,014
Charge-Offs					
Commercial					
Commercial	388	289	278	212	312
Lease financing	29	25	27	34	66
Total commercial	417	314	305	246	378
Commercial real estate					
Commercial mortgages	12	20	21	71	145
Construction and development	10	2	15	21	97
Total commercial real estate	22	22	36	92	242
Residential mortgages	85	135	216	297	461
Credit card	759	726	725	739	769
Other retail					
Retail leasing	9	8	6	5	9
Home equity and second mortgages	40	73	121	237	327
Other	283	238	257	281	330
Total other retail	332	319	384	523	666
Covered loans (a)	—	—	13	37	11
Total charge-offs	1,615	1,516	1,679	1,934	2,527
Recoveries					
Commercial					
Commercial	81	84	92	95	72
Lease financing	11	11	18	31	31
Total commercial	92	95	110	126	103
Commercial real estate					
Commercial mortgages	16	15	30	45	31
Construction and development	19	35	19	80	45
Total commercial real estate	35	50	49	125	76
Residential mortgages	25	26	21	25	23
Credit card	83	75	67	83	102
Other retail					
Retail leasing	4	3	4	4	7
Home equity and second mortgages	39	35	26	26	26
Other	68	60	66	75	92
Total other retail	111	98	96	105	125
Covered loans (a)	—	—	2	5	1
Total recoveries	346	344	345	469	430
Net Charge-Offs					
Commercial					
Commercial	307	205	186	117	240
Lease financing	18	14	9	3	35
Total commercial	325	219	195	120	275
Commercial real estate					
Commercial mortgages	(4)	5	(9)	26	114
Construction and development	(9)	(33)	(4)	(59)	52
Total commercial real estate	(13)	(28)	(13)	(33)	166
Residential mortgages	60	109	195	272	438
Credit card	676	651	658	656	667
Other retail					
Retail leasing	5	5	2	1	2
Home equity and second mortgages	1	38	95	211	301
Other	215	178	191	206	238
Total other retail	221	221	288	418	541
Covered loans (a)	—	—	11	32	10
Total net charge-offs	1,269	1,172	1,334	1,465	2,097
Provision for credit losses	1,324	1,132	1,229	1,340	1,882
Other changes (b)	(4)	(29)	(57)	(71)	(66)
Balance at end of year	\$4,357	\$4,306	\$4,375	\$4,537	\$4,733
Components					
Allowance for loan losses	\$3,813	\$3,863	\$4,039	\$4,250	\$4,424
Liability for unfunded credit commitments	544	443	336	287	309
Total allowance for credit losses	\$4,357	\$4,306	\$4,375	\$4,537	\$4,733
Allowance for Credit Losses as a Percentage of					
Period-end loans, excluding covered loans	1.60%	1.67%	1.78%	1.94%	2.15%
Nonperforming loans, excluding covered loans	317	360	297	297	269
Nonperforming and accruing loans 90 days or more past due, excluding covered loans	226	247	215	201	194
Nonperforming assets, excluding covered assets	275	288	245	242	218
Net charge-offs, excluding covered loans	341	364	326	306	218
Period-end loans	1.59%	1.65%	1.77%	1.93%	2.12%
Nonperforming loans	318	361	298	283	228
Nonperforming and accruing loans 90 days or more past due	204	213	181	163	139
Nonperforming assets	272	283	242	223	177
Net charge-offs	343	367	328	310	226

(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 beginning in 2013, 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.

TABLE 19 Elements of the Allowance for Credit Losses

At December 31 (Dollars in Millions)	Allowance Amount					Allowance as a Percent of Loans				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Commercial										
Commercial	\$ 1,376	\$ 1,231	\$ 1,094	\$ 1,019	\$ 979	1.56%	1.48%	1.46%	1.57%	1.61%
Lease financing	74	56	52	56	72	1.36	1.06	.97	1.06	1.31
Total commercial	1,450	1,287	1,146	1,075	1,051	1.55	1.46	1.43	1.53	1.59
Commercial Real Estate										
Commercial mortgages	282	285	479	532	641	.89	.90	1.44	1.65	2.07
Construction and development	530	439	247	244	216	4.61	4.24	2.62	3.17	3.63
Total commercial real estate	812	724	726	776	857	1.88	1.72	1.70	1.95	2.32
Residential Mortgages	510	631	787	875	935	.89	1.18	1.52	1.71	2.12
Credit Card	934	883	880	884	863	4.29	4.20	4.75	4.91	5.04
Other Retail										
Retail leasing	11	12	14	14	11	.17	.23	.24	.24	.20
Home equity and second mortgages	300	448	470	497	583	1.83	2.73	2.95	3.22	3.49
Other	306	283	287	270	254	.98	.96	1.04	1.03	.99
Total other retail	617	743	771	781	848	1.15	1.45	1.57	1.64	1.78
Covered Loans	34	38	65	146	179	.89	.83	1.23	1.73	1.58
Total allowance	\$ 4,357	\$ 4,306	\$ 4,375	\$ 4,537	\$ 4,733	1.59%	1.65%	1.77%	1.93%	2.12%

In addition, the evaluation of the appropriate allowance for credit losses for 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. Refer to Note 1 of the Notes to Consolidated Financial Statements, for more information.

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, 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. Table 19 shows the amount of the allowance for credit losses by loan class and underlying portfolio category.

Although the Company determines the amount of each element of the allowance separately and considers this process to be an important credit management tool, the entire allowance for credit losses is available for the entire loan portfolio. The actual amount of losses incurred can vary significantly from the estimated amounts.

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. Lease originations are subject to the same well-defined underwriting standards referred to in the "Credit Risk Management" section which includes an evaluation of the residual value risk. Retail lease residual value risk is mitigated further by effective end-of-term marketing of off-lease vehicles.

Included in the retail leasing portfolio was approximately \$4.9 billion of retail leasing residuals at December 31, 2016, compared with \$4.4 billion at December 31, 2015. The Company monitors concentrations of leases by manufacturer and vehicle "make and model." As of December 31, 2016, vehicle lease residuals related to sport utility vehicles were 43.6 percent of the portfolio, while auto and truck classes represented approximately 30.7 percent and 15.0 percent of the portfolio, respectively. At year-end 2016, the largest vehicle type represented 13.8 percent of the aggregate residual value of the vehicles in the portfolio. This risk is generally mitigated by collateral and residual value guarantees provided by the manufacturer. At December 31, 2016, the weighted-average origination term of the portfolio was 40 months, unchanged from December 31, 2015. At December 31, 2016, the commercial leasing portfolio had \$468 million of residuals, compared with \$511 million at December 31, 2015. At year-end 2016, lease residuals related to business and office equipment represented 34.7 percent of the total residual portfolio, and trucks and other transportation equipment represented 28.9 percent.

Operational Risk Management 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 fraud, litigation and breaches in data security. The Company operates in many different businesses in diverse markets and relies on the ability of its employees and systems to process a high number of transactions. 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 they do business, safeguarding of assets from misuse or theft, and ensuring the reliability and security of financial and other data.

Business continuation and disaster recovery planning is also critical to effectively managing operational risks. Each business unit of the Company is required to develop, maintain and test these plans at least annually to ensure that recovery activities, if needed, can support mission critical functions, including technology, networks and data centers supporting customer applications and business operations.

While the Company believes it has designed effective processes to minimize operational risks, there is no absolute assurance that business disruption or operational losses would not occur from an external event or internal control breakdown. On an ongoing basis, management makes process changes and investments to enhance its systems of internal controls and business continuity and disaster recovery plans.

In the past, the Company has experienced attack attempts on its computer systems including various denial-of-service attacks on customer-facing websites. The Company has not experienced any material losses relating to these attempts, as a result of its

controls, processes and systems to protect its networks, computers, software and data from attack, damage or unauthorized access. However, attack attempts on the Company's computer systems are increasing and the Company continues to develop and enhance its controls and processes to protect against these attempts.

Compliance Risk Management The Company may suffer legal or regulatory sanctions, material financial loss, or damage to its 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.

The significant increase in regulation and regulatory oversight initiatives over the past several years has substantially increased the importance of the Company's compliance risk management personnel and activities. For example, the Consumer Financial Protection Bureau ("CFPB") has authority to prescribe rules, or issue orders or guidelines pursuant to any federal consumer financial law. The CFPB regulates and examines the Company, its bank and other subsidiaries with respect to matters that relate to these laws and consumer financial services and products. The CFPB's rulemaking, examination and enforcement authority increases enforcement risk in this area including the potential for fines and penalties. Refer to "Supervision and Regulation" in the Company's Annual Report on Form 10-K for further discussion of the regulatory framework applicable to bank holding companies and their subsidiaries, and the substantial changes to that regulation.

Interest Rate Risk Management In the banking industry, changes in interest rates are a significant risk that can impact earnings, market valuations and 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 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.

Net Interest Income Simulation Analysis One of the primary tools used to measure interest rate risk and the effect of interest rate changes on net interest income is simulation analysis. The monthly analysis incorporates substantially all of the Company's assets and liabilities and off-balance sheet instruments, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. Through this simulation, management estimates the impact on net interest income of a 200 basis point ("bps") upward or downward gradual change of market interest rates over a one-year period. The simulation also

estimates the effect of immediate and sustained parallel shifts in the yield curve of 50 bps as well as the effect of immediate and sustained flattening or steepening of the yield curve. This simulation includes assumptions about how the balance sheet is likely to be affected by changes in loan and deposit growth. Assumptions are made to project interest rates for new loans and deposits based on historical analysis, management's outlook and re-pricing strategies. These assumptions are reviewed and validated on a periodic basis with sensitivity analysis being provided for key variables of the simulation. The results are reviewed monthly by the ALCO and are used to guide asset/liability management strategies.

The Company manages its interest rate risk position by holding assets with desired interest rate risk characteristics on its balance sheet, implementing certain pricing strategies for loans and deposits and through the selection of derivatives and various funding and investment portfolio strategies. The Company has established policy limits within which it manages the overall interest rate risk profile and at December 31, 2016 and 2015, the Company was within those limits.

Table 20 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 20, the projected impact to net interest income might increase to as much as 2.00 percent in the "Up 50 bps" and 3.73 percent in the "Up 200 bps" scenarios.

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. The valuation analysis is dependent upon certain key assumptions about the nature of assets and liabilities with non-contractual maturities. Management estimates the average life and rate characteristics of asset and liability accounts based upon historical analysis and management's expectation of rate behavior. Retail and wholesale loan prepayment assumptions are based on several key factors, including but not limited to, age, loan term, product type, seasonality and underlying contractual rates, as well as macroeconomic factors including unemployment, housing price indices, geography, interest rates and commercial real estate price indices. These factors are updated regularly based on historical experience and forward market expectations. The balance and pricing assumptions of

deposits that have no stated maturity are based on historical performance, the competitive environment, customer behavior, and product mix. These assumptions are validated on a periodic basis. A sensitivity analysis of key variables of the valuation analysis is provided to the ALCO monthly and is used to guide asset/liability management strategies.

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. The ALCO policy limits the change in the market value of equity in +/- 200 bps parallel rate shocks and as of December 31, 2016 and 2015, the Company was within its policy limits. A 200 bps increase would have resulted in a 1.9 percent decrease in the market value of equity at December 31, 2016, compared with a 5.8 percent decrease at December 31, 2015. A 200 bps decrease, where possible given current rates, would have resulted in a 8.1 percent decrease in the market value of equity at December 31, 2016, compared with a 7.0 percent decrease at December 31, 2015.

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 mortgage origination pipeline, 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.

TABLE 20 Interest Income
Sensitivity of Net

	December 31, 2016				December 31, 2015			
	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	(2.82)%	1.52%	*	1.82%	*	1.78%	*	2.69%

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

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. The estimated net sensitivity to changes in interest rates of the fair value of the MSRs and the related derivative instruments at December 31, 2016, to an immediate 25, 50 and 100 bps downward movement in interest rates would be a decrease of approximately \$10 million, \$29 million and \$101 million, respectively. An immediate upward movement in interest rates at December 31, 2016, of 25, 50 and 100 bps would result in an increase of \$1 million, and a decrease of \$6 million and \$44 million, in the fair value of the MSRs and related derivative instruments, respectively. Refer to Note 9 of the Notes to Consolidated Financial Statements for additional information regarding MSRs.

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 December 31, 2016, the Company had \$6.5 billion of forward commitments to sell, hedging \$3.7 billion of MLHFS and \$3.5 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 and 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 19 and 20 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 Value at Risk ("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 its 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:

Year Ended December 31 (Dollars in Millions)		
	2016	2015
Average	\$ 1	\$ 1
High	2	2
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 2016 and 2015. 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:

Year Ended December 31 (Dollars in Millions)		
	2016	2015
Average	\$ 4	\$ 4
High	7	8
Low	2	2
Period-end	5	3

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:

Year Ended December 31 (Dollars in Millions)	2016	2015
Residential Mortgage Loans Held For Sale and Related Hedges		
Average	\$ —	\$ 1
High	2	2
Low	—	—
Mortgage Servicing Rights and Related Hedges		
Average	\$ 9	\$ 6
High	11	8
Low	4	4

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 the contingency funding plan. The ALCO reviews the Company's liquidity policy and guidelines, and regularly assesses the Company's ability to meet funding requirements arising from adverse company-specific or market events.

The Company's liquidity policy requires it to maintain diversified wholesale funding sources to avoid maturity, name and market concentrations. The Company operates a Grand Cayman branch for issuing Eurodollar time deposits. In addition, the Company has relationships with dealers to issue national market retail and institutional savings certificates and short-term and medium-term notes. The Company also maintains a significant correspondent banking network and relationships. Accordingly, the Company has access to national federal funds, funding through repurchase agreements and sources of stable certificates of deposit and commercial paper.

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 include cash at the Federal Reserve Bank, unencumbered liquid assets, and capacity to borrow at the FHLB and the Federal Reserve Bank's Discount Window. Unencumbered liquid assets in the Company's available-for-sale and held-to-maturity investment portfolios provide asset liquidity through the Company's ability to sell the securities or pledge and borrow against them. At December 31, 2016, the fair value of unencumbered available-for-sale and held-to-maturity investment securities totaled \$100.6 billion, compared with \$92.4 billion at December 31, 2015. Refer to Table 13 and "Balance Sheet Analysis" for further information on investment securities maturities and trends. Asset liquidity is further enhanced by the Company's ability to pledge loans to access secured borrowing facilities through the FHLB and Federal Reserve Bank. At December 31, 2016, the Company could have borrowed an additional \$91.4 billion at the FHLB and Federal Reserve Bank based on collateral available for additional borrowings.

TABLE 21 Debt Ratings

	Moody's	Standard & Poor's	Fitch	Dominion Bond Rating Service
U.S. Bancorp				
Long-term issuer rating	A1	A+	AA	AA
Short-term issuer rating		A-1	F1+	R-1 (middle)
Senior unsecured debt	A1	A+	AA	AA
Subordinated debt	A1	A-	AA-	AA (low)
Junior subordinated debt	A2	BBB		AA (low)
Preferred stock	A3	BBB	BBB+	A
Commercial paper	P-1	A-1	F1+	
U.S. Bank National Association				
Long-term issuer rating	A1	AA-	AA	
Short-term issuer rating	P-1	A-1+	F1+	R-1 (high)
Long-term deposits	Aa1		AA+	AA(high)
Short-term deposits	P-1		F1+	
Senior unsecured debt	A1	AA-	AA	AA(high)
Subordinated debt	A1	A	AA-	AA
Commercial paper	P-1	A-1+	F1+	
Counterparty risk assessment	Aa2(cr)/P-1(cr)			

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 \$334.6 billion at December 31, 2016, compared with \$300.4 billion at December 31, 2015. Refer to Table 14 and "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 \$33.3 billion at December 31, 2016, and is an important funding source because of its multi-year borrowing structure. Refer to Note 13 of the Notes to Consolidated Financial Statements for information on the terms and maturities of the Company's long-term debt issuances and "Balance Sheet Analysis" for discussion on long-term debt trends. Short-term borrowings were \$14.0 billion at December 31, 2016, and supplement the Company's other funding sources. Refer to Note 12 of the Notes to Consolidated Financial Statements and "Balance Sheet Analysis" for information on the terms and trends of the Company's short-term borrowings.

The Company's ability to raise negotiated funding at competitive prices is influenced by rating agencies' views of the Company's credit quality, liquidity, capital and earnings. Table 21 details the rating agencies' most recent assessments.

In addition to assessing liquidity risk on a consolidated basis, the Company monitors the parent company's liquidity. The parent company's routine funding requirements consist primarily of operating expenses, dividends paid to shareholders, debt service, repurchases of common stock and funds used for acquisitions. The parent company obtains funding to meet its obligations from dividends collected from its subsidiaries and the issuance of debt and capital securities. The Company maintains

sufficient funding to meet expected parent company obligations, without access to the wholesale funding markets or dividends from subsidiaries, for 12 months when forecasted payments of common stock dividends are included and 24 months assuming dividends were reduced to zero. The parent company currently has available funds considerably greater than the amounts required to satisfy these conditions.

Under United States Securities and Exchange Commission rules, the parent company is classified as a "well-known seasoned issuer," which allows it to file a registration statement that does not have a limit on issuance capacity. "Well-known seasoned issuers" generally include those companies with outstanding common securities with a market value of at least \$700 million held by non-affiliated parties or those companies that have issued at least \$1 billion in aggregate principal amount of non-convertible securities, other than common equity, in the last three years. However, the parent company's ability to issue debt and other securities under a registration statement filed with the United States Securities and Exchange Commission under these rules is limited by the debt issuance authority granted by the Company's Board of Directors and/or the ALCO policy.

At December 31, 2016, parent company long-term debt outstanding was \$13.0 billion, compared with \$11.5 billion at December 31, 2015. The increase was primarily due to the issuances of \$2.6 billion of medium-term notes and \$1.0 billion of subordinated notes, partially offset by the maturities of \$1.3 billion of medium-term notes and \$500 million of subordinated notes. At December 31, 2016, there was \$1.3 billion of parent company debt scheduled to mature in 2017. Future debt maturities may be met through medium-term note and capital security issuances and dividends from subsidiaries, as well as from parent company cash and cash equivalents.

TABLE 22 Contractual Obligations

At December 31, 2016 (Dollars in Millions)	Payments Due By Period				
	One Year or Less	Over One Through Three Years	Over Three Through Five Years	Over Five Years	Total
Contractual Obligations (a)					
Long-term debt (b)	\$ 5,461	\$ 13,301	\$ 2,264	\$ 12,297	\$ 33,323
Operating leases	270	450	306	490	1,516
Benefit obligations (c)	22	48	53	170	293
Time deposits	23,428	4,620	2,414	3	30,465
Contractual interest payments (d)	1,004	1,130	836	1,186	4,156
Equity investment commitments	1,763	663	23	53	2,502
Other (e)	431	32	14	123	600
Total	\$32,379	\$ 20,244	\$ 5,910	\$14,322	\$72,855

(a) Unrecognized tax positions of \$302 million at December 31, 2016, are excluded as the Company cannot make a reasonably reliable estimate of the period of cash settlement with the respective taxing authority.

(b) Includes obligations under capital leases.

(c) Amounts only include obligations related to the unfunded non-qualified pension plans.

(d) Includes accrued interest and future contractual interest obligations.

(e) Primarily includes purchase obligations for goods and services covered by noncancellable contracts including cancellation fees.

Dividend payments to the Company by its subsidiary bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends to the parent company from its banking subsidiary are limited by rules which compare dividends to net income for regulatorily-defined periods. For further information, see Note 23 of the Notes to Consolidated Financial Statements.

Effective January 1, 2015, the Company became subject to a regulatory Liquidity Coverage Ratio ("LCR") requirement. Certain transition provisions applied until the LCR rule was fully implemented on January 1, 2017. The LCR rule 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 December 31, 2016, the Company was compliant with the fully implemented LCR requirement based on its interpretation of the final United States LCR rule.

European Exposures Certain European countries have experienced slower than historical economic growth conditions over the past several years. 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 December 31, 2016, the Company had an aggregate amount on deposit with European banks of approximately \$7.0 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 further 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. 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. The Company has not utilized private label asset securitizations as a source of funding.

Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. Many of the Company's commitments to extend credit expire without being drawn, and therefore, total commitment amounts do not necessarily represent future liquidity requirements or the Company's exposure to credit loss. Commitments to extend credit also include consumer credit lines that are cancelable upon notification to the consumer. Total contractual amounts of commitments to extend credit at December 31, 2016 were \$293.4 billion. The Company also issues and confirms various types of letters of credit, including standby and commercial. Total contractual amounts of letters of credit at December 31, 2016 were \$12.3 billion. For more information on the Company's commitments to extend credit and letters of credit, refer to Note 22 in the Notes to Consolidated Financial Statements.

The Company's off-balance sheet arrangements with unconsolidated entities primarily consist of private investment funds or partnerships that make equity investments, provide debt financing or support community-based investments in tax-advantaged projects. In addition to providing investment returns, these arrangements in many cases assist the Company in complying with requirements of the Community Reinvestment Act. The 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. The entities in which the Company invests are generally considered variable interest entities ("VIEs"). The Company's recorded net investment in these entities as of December 31, 2016 was approximately \$2.5 billion.

The Company also has non-controlling financial investments in private funds and partnerships considered VIEs. The Company's recorded investment in these entities was approximately \$28 million at December 31, 2016, and the Company had unfunded commitments to invest an additional \$22 million. For more information on the Company's interests in unconsolidated VIEs, refer to Note 7 in the Notes to Consolidated Financial Statements.

Guarantees are contingent commitments issued by the Company to customers or other third parties requiring the Company to perform if certain conditions exist or upon the occurrence or nonoccurrence of a specified event, such as a scheduled payment to be made under contract. The Company's primary guarantees include commitments from securities lending activities in which indemnifications are provided to customers; indemnification or buy-back provisions related to sales of loans and tax credit investments; and merchant charge-back guarantees through the Company's involvement in providing merchant processing services. For certain guarantees, the Company may have access to collateral to support the guarantee, or through the exercise of other recourse provisions, be able to offset some or all of any payments made under these guarantees.

The Company and certain of its subsidiaries, along with other Visa U.S.A. Inc. member banks, have a contingent guarantee obligation to indemnify Visa Inc. for potential losses arising from antitrust lawsuits challenging the practices of Visa U.S.A. Inc. and MasterCard International. The indemnification by the Company and other Visa U.S.A. Inc. member banks has no maximum amount. Refer to Note 22 in the Notes to Consolidated Financial Statements for further details regarding guarantees, other commitments, and contingent liabilities, including maximum potential future payments and current carrying amounts.

Capital Management The Company is committed to managing capital to maintain strong protection for depositors and creditors and for maximum shareholder benefit. The Company continually assesses its business risks and capital position. The Company also manages its capital to exceed regulatory capital requirements for banking organizations. To achieve its capital goals, the Company employs a variety of capital management tools, including dividends, common share repurchases, and the issuance of subordinated debt, non-cumulative perpetual preferred stock, common stock and other capital instruments.

On September 19, 2016, the Company announced its Board of Directors had approved a 9.8 percent increase in the Company's dividend rate per common share, from \$0.255 per quarter to \$0.28 per quarter.

The Company repurchased approximately 61 million shares of its common stock in 2016, compared with approximately 52 million shares in 2015. The average price paid for the shares

repurchased in 2016 was \$42.63 per share, compared with \$43.54 per share in 2015. As of December 31, 2016, the approximate dollar value of shares that may yet be purchased by the Company under the current Board of Directors approved authorization was \$1.3 billion. For a more complete analysis of activities impacting shareholders' equity and capital management programs, refer to Note 14 of the Notes to Consolidated Financial Statements.

Total U.S. Bancorp shareholders' equity was \$47.3 billion at December 31, 2016, compared with \$46.1 billion at December 31, 2015. The increase was primarily the result of corporate earnings, partially offset by dividends, common share repurchases and changes in unrealized gains and losses on available-for-sale investment securities included in other comprehensive income (loss).

Beginning January 1, 2014, the regulatory capital requirements effective for the Company follow Basel III, subject to certain transition provisions from Basel I over the following four years to full implementation by January 1, 2018. Basel III 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. Under Basel III, banking regulators define minimum capital requirements for banks and financial services holding companies. These requirements are expressed in the form of a minimum common equity tier 1 capital ratio, tier 1 capital ratio, total risk-based capital ratio, and tier 1 leverage ratio. The minimum required level for these ratios at December 31, 2016, was 5.125 percent, 6.625 percent, 8.625 percent, and 4.0 percent, respectively. The Company targets its regulatory capital levels, at both the bank and bank holding company level, to exceed the "well-capitalized" threshold for these ratios. At December 31, 2016, the minimum "well-capitalized" threshold for the common equity tier 1 capital ratio, tier 1 capital ratio, total risk-based capital ratio, and tier 1 leverage ratio was 6.5 percent, 8.0 percent, 10.0 percent and 5.0 percent, respectively. The most recent notification from the Office of the Comptroller of the Currency categorized the Company's bank subsidiary as "well-capitalized" under the FDIC Improvement Act prompt corrective action provisions that are applicable to all banks. There are no conditions or events since that notification that management believes have changed the risk-based category of its covered subsidiary bank.

As an approved mortgage seller and servicer, U.S. Bank National Association, through its mortgage banking division, is required to maintain various levels of shareholder's equity, as specified by various agencies, including the United States Department of Housing and Urban Development, Government National Mortgage Association, Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. At December 31, 2016, U.S. Bank National Association met these requirements.

Table 23 provides a summary of statutory regulatory capital ratios in effect for the Company at December 31, 2016 and 2015.

TABLE 23 Regulatory Capital Ratios

At December 31 (Dollars in Millions)	U.S. Bancorp		U.S. Bank National Association	
	2016	2015	2016	2015
Basel III transitional standardized approach:				
Common equity tier 1 capital	\$ 33,720	\$ 32,612	\$ 36,914	\$ 33,831
Tier 1 capital	39,421	38,431	37,114	34,148
Total risk-based capital	47,355	45,313	44,853	41,112
Risk-weighted assets	358,237	341,360	352,023	336,938
Common equity tier 1 capital as a percent of risk-weighted assets	9.4%	9.6%	10.5%	10.0%
Tier 1 capital as a percent of risk-weighted assets	11.0	11.3	10.5	10.1
Total risk-based capital as a percent of risk-weighted assets	13.2	13.3	12.7	12.2
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	9.0	9.5	8.6	8.5
Basel III transitional advanced approaches:				
Common equity tier 1 capital	\$ 33,720	\$ 32,612	\$ 36,914	\$ 33,831
Tier 1 capital	39,421	38,431	37,114	34,148
Total risk-based capital	44,264	42,262	41,737	38,090
Risk-weighted assets	277,141	261,668	271,920	258,207
Common equity tier 1 capital as a percent of risk-weighted assets	12.2%	12.5%	13.6%	13.1%
Tier 1 capital as a percent of risk-weighted assets	14.2	14.7	13.6	13.2
Total risk-based capital as a percent of risk-weighted assets	16.0	16.2	15.3	14.8

Bank Regulatory Capital Requirements

	Minimum	Well-Capitalized
2016		
Common equity tier 1 capital as a percent of risk-weighted assets	5.125%	6.500%
Tier 1 capital as a percent of risk-weighted assets	6.625	8.000
Total risk-based capital as a percent of risk-weighted assets	8.625	10.000
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	4.000	5.000
2015		
Common equity tier 1 capital as a percent of risk-weighted assets	4.500%	6.500%
Tier 1 capital as a percent of risk-weighted assets	6.000	8.000
Total risk-based capital as a percent of risk-weighted assets	8.000	10.000
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	4.000	5.000

Effective January 1, 2018, the Company will be subject to a regulatory Supplementary Leverage Ratio ("SLR") requirement for banks calculating capital adequacy using advanced approaches under Basel III. The SLR is defined as tier 1 capital divided by total leverage exposure, which includes both on- and off-balance sheet exposures. At December 31, 2016, the Company's SLR exceeded the applicable minimum SLR requirement.

The Company believes certain capital ratios in addition to statutory regulatory 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 transitional standardized approach, was 7.5 percent and 9.2 percent, respectively, at December 31, 2016, compared with 7.6 percent and 9.2 percent, respectively, at December 31, 2015. The Company's common equity tier 1 capital to risk-weighted assets ratio using the Basel III standardized approach as if fully implemented was 9.1 percent at December 31, 2016 and December 31, 2015. The Company's common equity tier 1 capital to risk-weighted assets ratio using

the Basel III advanced approaches as if fully implemented was 11.7 percent at December 31, 2016, compared with 11.9 percent at December 31, 2015.

Fourth Quarter Summary

The Company reported net income attributable to U.S. Bancorp of \$1.5 billion for the fourth quarter of 2016, or \$0.82 per diluted common share, compared with \$1.5 billion, or \$0.80 per diluted common share, for the fourth quarter of 2015. Return on average assets and return on average common equity were 1.32 percent and 13.1 percent, respectively, for the fourth quarter of 2016, compared with 1.41 percent and 13.7 percent, respectively, for the fourth quarter of 2015.

Total net revenue for the fourth quarter of 2016, was \$224 million (4.3 percent) higher than the fourth quarter of 2015, reflecting a 4.8 percent increase in net interest income (4.6 percent increase on a taxable-equivalent basis) and a 3.9 percent increase in noninterest income. The increase in net

TABLE 24 Fourth Quarter Results

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended December 31,	
	2016	2015
Condensed Income Statement		
Net interest income	\$2,955	\$2,819
Taxable-equivalent adjustment ^(a)	49	52
Net interest income (taxable-equivalent basis) ^(b)	3,004	2,871
Noninterest income	2,425	2,339
Securities gains (losses), net	6	1
Total net revenue	5,435	5,211
Noninterest expense	3,004	2,809
Provision for credit losses	342	305
Income before taxes	2,089	2,097
Income taxes and taxable-equivalent adjustment	598	608
Net income	1,491	1,489
Net (income) loss attributable to noncontrolling interests	(13)	(13)
Net income attributable to U.S. Bancorp	\$1,478	\$1,476
Net income applicable to U.S. Bancorp common shareholders	\$1,391	\$1,404
Per Common Share		
Earnings per share	\$.82	\$.80
Diluted earnings per share	\$.82	\$.80
Dividends declared per share	\$.280	\$.255
Average common shares outstanding	1,700	1,747
Average diluted common shares outstanding	1,705	1,754
Financial Ratios		
Return on average assets	1.32%	1.41%
Return on average common equity	13.1	13.7
Net interest margin (taxable-equivalent basis) ^(a)	2.98	3.06
Efficiency ratio ^(b)	55.3	53.9

^(a) Utilizes a tax rate of 35 percent 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 66.

interest income from the fourth quarter of 2015 was mainly the result of loan growth. The noninterest income increase was primarily driven by higher payment services revenue, trust and investment management fees and mortgage banking revenue.

Noninterest expense in the fourth quarter of 2016 was higher than the fourth quarter of 2015, related to increased compensation expense due to hiring to support business growth and compliance programs as well as merit increases and higher variable compensation expense.

Fourth quarter 2016 net interest income, on a taxable-equivalent basis, was \$3.0 billion, compared with \$2.9 billion in the fourth quarter of 2015. The \$133 million (4.6 percent) increase was principally driven by loan growth partially offset by a lower net interest margin. Average earning assets were \$28.9 billion (7.7 percent) higher in the fourth quarter of 2016, compared with the fourth quarter of 2015, driven by increases of \$16.0 billion (6.2 percent) in average loans, \$4.9 billion (4.6 percent) in average investment securities and higher average cash balances. The net interest margin, on a taxable-equivalent basis, in the fourth quarter of 2016 was 2.98 percent, compared with 3.06 percent in the fourth quarter of 2015, principally due to lower yields on securities purchases, lower reinvestment rates on maturing securities and maintaining higher cash balances.

Noninterest income in the fourth quarter of 2016 was \$2.4 billion, compared with \$2.3 billion in the same period of 2015, representing an increase of \$91 million (3.9 percent). The increase reflected higher payment services revenue, trust and investment management fees and mortgage banking revenue, partially offset by a decline in other noninterest income. Credit and debit card revenue increased \$22 million (7.5 percent) reflecting higher transaction volumes including the impact of acquired portfolios. Merchant processing services revenue increased \$11 million (2.8 percent) as a result of an increase in product fees and higher volumes. Adjusted for the impact of foreign currency rate changes, the increase would have been approximately 5.6 percent. Trust and investment management fees increased \$32 million (9.5 percent) reflecting lower money market fee waivers, along with account growth, an increase in assets under management and improved market conditions. Mortgage banking revenue increased \$29 million (13.7 percent) over the fourth quarter of 2015, driven by higher origination and sales volumes. Other income was lower \$18 million (6.7 percent) in the fourth quarter of 2016, compared with the same period of 2015, primarily reflecting lower income from leasing residuals and the impact of a gain on the sale of a deposit portfolio in the fourth quarter 2015, partially offset by stronger trading income and higher fourth quarter 2016 equity investment income.

Noninterest expense in the fourth quarter of 2016 was \$3.0 billion, compared with \$2.8 billion in the same period of 2015, representing an increase of \$195 million (6.9 percent). The increase was primarily due to higher compensation, professional services and marketing expenses. Compensation expense increased \$145 million (12.0 percent) over the same period of the prior year, principally due to the impact of hiring to support business growth and compliance programs, merit increases, and higher variable compensation. Professional services expense increased \$31 million (24.8 percent) primarily due to compliance programs and implementation costs of capital investments to support business growth. Marketing expense increased \$11 million (11.5 percent) to support new business development. Partially offsetting these increases was an \$11 million (4.0 percent) decrease in employee benefits expense mainly due to lower pension and healthcare costs.

The provision for credit losses for the fourth quarter of 2016 was \$342 million, an increase of \$37 million (12.1 percent) from the same period of 2015. The provision for credit losses was \$20 million higher than net charge-offs in the fourth quarter of 2016 and equal to net charge-offs in the fourth quarter of 2015. The reserve build for the fourth quarter of 2016 was driven by portfolio growth, partially offset by improvement in residential mortgage and home equity credit quality. Net charge-offs were \$322 million in the fourth quarter of 2016, compared with \$305 million in the fourth quarter of 2015. The net charge-off ratio was 0.47 percent in the fourth quarter of 2016, unchanged from the fourth quarter of 2015.

The provision for income taxes for the fourth quarter of 2016 resulted in an effective tax rate of 26.9 percent, compared with an effective tax rate of 27.2 percent for the fourth quarter of 2015.

Line of Business Financial Review

The Company's major lines of business are Wholesale Banking and Commercial Real Estate, Consumer and Small Business Banking, Wealth Management and Securities 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. Goodwill and other intangible assets are

assigned to the lines of business based on the mix of business of the acquired entity. Within the Company, capital levels are evaluated and managed centrally; however, capital is allocated to the operating segments to support evaluation of business performance. Business lines are allocated capital on a risk-adjusted basis considering economic and regulatory capital requirements. Generally, the determination of the amount of capital allocated to each business line includes credit and operational capital allocations following a Basel III regulatory framework. Interest income and expense is determined based on the assets and liabilities managed by the business line. Because funding and asset liability management is a central function, funds transfer-pricing methodologies are utilized to allocate a cost of funds used or credit for funds provided to all business line assets and liabilities, respectively, using a matched funding concept. Also, each business unit is allocated the taxable-equivalent benefit of tax-exempt products. The residual effect on net interest income of asset/liability management activities is included in Treasury and Corporate Support. Noninterest income and expenses directly managed by each business line, including fees, service charges, salaries and benefits, and other direct revenues and costs are accounted for within each segment's financial results in a manner similar to the consolidated financial statements. Occupancy costs are allocated based on utilization of facilities by the lines of business. Generally, operating losses are charged to the line of business when the loss event is realized in a manner similar to a loan charge-off. Noninterest expenses incurred by centrally managed operations or business lines that directly support another business line's operations are charged to the applicable business line based on its utilization of those services, primarily measured by the volume of customer activities, number of employees or other relevant factors. These allocated expenses are reported as net shared services expense within noninterest expense. Certain activities that do not directly support the operations of the lines of business or for which the lines of business are not considered financially accountable in evaluating their performance are not charged to the lines of business. The income or expenses associated with these corporate activities is reported within the Treasury and Corporate Support line of business. Income taxes are assessed to each line of business at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support.

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 2016, certain organization and methodology changes were made and, accordingly, 2015 results were restated and presented on a comparable basis.

Wholesale Banking and Commercial Real Estate Wholesale Banking and Commercial Real Estate 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. Wholesale Banking and Commercial Real Estate contributed \$861 million of the Company's net income in 2016, unchanged from 2015, driven by an increase in net revenue, offset by increases in the provision for credit losses and noninterest expense.

Net revenue increased \$245 million (8.5 percent) in 2016, compared with 2015. Net interest income, on a taxable-equivalent basis, increased \$238 million (11.9 percent) in 2016, compared with 2015, primarily due to higher average loan and deposit balances along with the impact of higher margin benefit from deposits, partially offset by lower rates on loans. Noninterest income increased \$7 million (0.8 percent) in 2016, compared with 2015, driven by higher trading income, treasury management fees and capital markets activity, partially offset by higher loan-related charges.

Noninterest expense increased \$95 million (7.2 percent) in 2016, compared with 2015, primarily due to an increase in variable costs allocated to manage the business, including the impact of a special FDIC surcharge that began in the third quarter of 2016. The provision for credit losses increased \$151 million (70.6 percent) in 2016, compared with 2015, primarily due to higher commercial loan net charge-offs and lower commercial real estate recoveries, along with an unfavorable change in the reserve allocation driven by loan growth.

Consumer and Small Business Banking Consumer and Small Business Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices, such as mobile phones and tablet computers. It encompasses community banking, metropolitan banking and indirect lending, as well as mortgage banking. Consumer and Small Business Banking contributed \$1.4 billion of the Company's net income in 2016, or an increase of \$47 million (3.6 percent), compared with 2015. The increase was due to higher net revenue and a decrease in the provision for credit losses, partially offset by higher noninterest expense.

Net revenue increased \$214 million (3.0 percent) in 2016, compared with 2015. Net interest income, on a taxable-equivalent basis, increased \$172 million (3.8 percent) in 2016, compared with 2015, primarily due to higher average loan and deposit balances along with the impact of higher margin benefit from deposits, partially offset by lower loan rates. Noninterest income increased \$42 million (1.7 percent) in 2016, compared with 2015, driven by higher mortgage banking revenue, reflecting the impact of higher origination and sales revenue, partially offset by lower income from leasing residuals.

Noninterest expense increased \$192 million (4.0 percent) in 2016, compared with 2015, primarily due to higher net shared services expense, including the impact of capital investments to

support business growth, higher compensation expense, reflecting the impact of merit increases, increased staffing, and higher variable compensation related to higher mortgage production, and higher professional services expense principally due to compliance-related matters, partially offset by the impact of a prior year legal matter. The provision for credit losses decreased \$55 million (37.2 percent) in 2016, compared with 2015, primarily due to a favorable change in the reserve allocation driven by improvements in the mortgage portfolio and lower net charge-offs.

Wealth Management and Securities Services Wealth Management and Securities 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 Securities Services contributed \$379 million of the Company's net income in 2016, an increase of \$137 million (56.6 percent), compared with 2015. The increase from the prior year was primarily due to higher net revenue, partially offset by higher noninterest expense.

Net revenue increased \$296 million (16.2 percent) in 2016, compared with 2015. Net interest income, on a taxable-equivalent basis, increased \$182 million (51.3 percent) in 2016, compared with 2015, principally due to the impact of higher margin benefit from deposits. Noninterest income increased \$114 million (7.7 percent) in 2016, compared with 2015, reflecting the impact of lower money market fee waivers, along with account growth, growth in assets under management and improved market conditions.

Noninterest expense increased \$84 million (5.8 percent) in 2016, compared with 2015, primarily the result of higher compensation, reflecting the impact of merit increases and higher staffing.

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 \$1.3 billion of the Company's net income in 2016, or an increase of \$103 million (8.8 percent) compared with 2015. The increase was due to higher net revenue, partially offset by higher noninterest expense and an increase in the provision for credit losses.

Net revenue increased \$401 million (7.6 percent) in 2016, compared with 2015. Net interest income, on a taxable-equivalent basis, increased \$210 million (10.9 percent) in 2016, compared with 2015, primarily due to higher average loan balances and fees. Noninterest income increased \$191 million (5.7 percent) in 2016, compared with 2015, due to an increase in credit and debit card revenue on higher transaction volumes, including the impact of acquired portfolios, an increase in merchant processing services revenue as a result of an increase in product fees and higher volumes, and the impact of a 2016 sale of an equity investment.

TABLE 25 Line of Business Financial Performance

Year Ended December 31 (Dollars in Millions)	Wholesale Banking and Commercial Real Estate			Consumer and Small Business Banking			
	2016	2015	Percent Change	2016	2015	Percent Change	
Condensed Income Statement							
Net interest income (taxable-equivalent basis)	\$ 2,240	\$ 2,002	11.9%	\$ 4,752	\$ 4,580	3.8%	
Noninterest income	897	892	.6	2,527	2,485	1.7	
Securities gains (losses), net	2	—	*	—	—	—	
Total net revenue	3,139	2,894	8.5	7,279	7,065	3.0	
Noninterest expense	1,417	1,322	7.2	4,999	4,799	4.2	
Other intangibles	4	4	—	32	40	(20.0)	
Total noninterest expense	1,421	1,326	7.2	5,031	4,839	4.0	
Income before provision and income taxes	1,718	1,568	9.6	2,248	2,226	1.0	
Provision for credit losses	365	214	70.6	93	148	(37.2)	
Income before income taxes	1,353	1,354	(.1)	2,155	2,078	3.7	
Income taxes and taxable-equivalent adjustment	492	493	(.2)	785	755	4.0	
Net income	861	861	—	1,370	1,323	3.6	
Net (income) loss attributable to noncontrolling interests	—	—	—	—	—	—	
Net income attributable to U.S. Bancorp	\$ 861	\$ 861	—	\$ 1,370	\$ 1,323	3.6	
Average Balance Sheet							
Commercial	\$ 70,854	\$ 64,569	9.7%	\$ 10,352	\$ 9,848	5.1%	
Commercial real estate	21,193	20,506	3.4	18,224	17,917	1.7	
Residential mortgages	8	8	—	53,402	50,007	6.8	
Credit card	—	—	—	—	—	—	
Other retail	2	2	—	50,251	46,964	7.0	
Total loans, excluding covered loans	92,057	85,085	8.2	132,229	124,736	6.0	
Covered loans	—	—	—	4,196	4,934	(15.0)	
Total loans	92,057	85,085	8.2	136,425	129,670	5.2	
Goodwill	1,647	1,647	—	3,681	3,681	—	
Other intangible assets	17	20	(15.0)	2,421	2,594	(6.7)	
Assets	100,575	93,421	7.7	151,754	146,554	3.5	
Noninterest-bearing deposits	36,849	36,345	1.4	27,544	25,829	6.6	
Interest checking	8,615	7,445	15.7	43,587	39,930	9.2	
Savings products	42,284	28,095	50.5	57,465	53,753	6.9	
Time deposits	13,078	15,027	(13.0)	14,273	15,828	(9.8)	
Total deposits	100,826	86,912	16.0	142,869	135,340	5.6	
Total U.S. Bancorp shareholders' equity	8,996	8,309	8.3	11,192	10,892	2.8	

* Not meaningful

Wealth Management and Securities Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2016	2015	Percent Change	2016	2015	Percent Change	2016	2015	Percent Change	2016	2015	Percent Change
\$ 537	\$ 355	51.3%	\$ 2,140	\$ 1,930	10.9%	\$ 2,062	\$ 2,347	(12.1)%	\$ 11,731	\$ 11,214	4.6%
1,589	1,475	7.7	3,562	3,371	5.7	980	869	12.8	9,555	9,092	5.1
—	—	—	—	—	—	20	—	*	22	—	*
2,126	1,830	16.2	5,702	5,301	7.6	3,062	3,216	(4.8)	21,308	20,306	4.9
1,510	1,422	6.2	2,656	2,521	5.4	915	693	32.0	11,497	10,757	6.9
24	28	(14.3)	119	102	16.7	—	—	—	179	174	2.9
1,534	1,450	5.8	2,775	2,623	5.8	915	693	32.0	11,676	10,931	6.8
592	380	55.8	2,927	2,678	9.3	2,147	2,523	(14.9)	9,632	9,375	2.7
(4)	—	*	869	787	10.4	1	(17)	*	1,324	1,132	17.0
596	380	56.8	2,058	1,891	8.8	2,146	2,540	(15.5)	8,308	8,243	.8
217	138	57.2	750	687	9.2	120	237	(49.4)	2,364	2,310	2.3
379	242	56.6	1,308	1,204	8.6	2,026	2,303	(12.0)	5,944	5,933	.2
—	—	—	(32)	(31)	(3.2)	(24)	(23)	(4.3)	(56)	(54)	(3.7)
\$ 379	\$ 242	56.6	\$ 1,276	\$ 1,173	8.8	\$ 2,002	\$ 2,280	(12.2)	\$ 5,888	\$ 5,879	.2
\$ 2,916	\$ 2,322	25.6%	\$ 7,535	\$ 7,059	6.7%	\$ 386	\$ 285	35.4%	\$ 92,043	\$ 84,083	9.5%
520	569	(8.6)	—	—	—	3,103	3,423	(9.3)	43,040	42,415	1.5
2,272	1,816	25.1	—	—	—	—	9	*	55,682	51,840	7.4
—	—	—	20,490	18,057	13.5	—	—	—	20,490	18,057	13.5
1,553	1,517	2.4	524	596	(12.1)	—	—	—	52,330	49,079	6.6
7,261	6,224	16.7	28,549	25,712	11.0	3,489	3,717	(6.1)	263,585	245,474	7.4
—	1	*	—	—	—	30	50	(40.0)	4,226	4,985	(15.2)
7,261	6,225	16.6	28,549	25,712	11.0	3,519	3,767	(6.6)	267,811	250,459	6.9
1,566	1,567	(.1)	2,465	2,475	(.4)	—	—	—	9,359	9,370	(.1)
101	126	(19.8)	494	411	20.2	—	—	—	3,033	3,151	(3.7)
10,352	9,238	12.1	34,409	31,796	8.2	136,223	127,856	6.5	433,313	408,865	6.0
13,735	14,393	(4.6)	951	879	8.2	2,097	1,757	19.4	81,176	79,203	2.5
9,484	7,959	19.2	—	605	*	40	35	14.3	61,726	55,974	10.3
36,564	33,994	7.6	97	91	6.6	490	483	1.4	136,900	116,416	17.6
3,876	3,343	15.9	—	—	—	1,781	1,360	31.0	33,008	35,558	(7.2)
63,659	59,689	6.7	1,048	1,575	(33.5)	4,408	3,635	21.3	312,810	287,151	8.9
2,382	2,312	3.0	6,390	5,868	8.9	18,379	17,432	5.4	47,339	44,813	5.6

Noninterest expense increased \$152 million (5.8 percent) in 2016, compared with 2015, reflecting higher compensation expense due to merit increases and higher staffing to support business investment and compliance programs, higher net shared services expense, as well as higher technology and communications expense, postage, printing and supplies expense, and other intangibles expense, which were impacted by card portfolio acquisitions. The increase in 2016 noninterest expense was partially offset by the impact of a 2015 regulatory item. The provision for credit losses increased \$82 million (10.4 percent) in 2016, compared with 2015, due to an unfavorable change in the reserve allocation due to portfolio growth along with higher net charge-offs.

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 \$2.0 billion in 2016, compared with \$2.3 billion in 2015.

Net revenue decreased \$154 million (4.8 percent) in 2016, compared with 2015. Net interest income, on a taxable-equivalent basis, decreased \$285 million (12.1 percent) in 2016, compared with 2015, principally due to the impact of higher margin benefits on deposits credited to the business lines and the issuance of long-term debt, partially offset by growth in the investment portfolio. Noninterest income increased \$131 million (15.1 percent) in 2016, compared with 2015, mainly due to the Visa Europe sale and the impact of the 2015 student loan market valuation adjustment, partially offset by lower equity investment income and the impact of a gain on the sale of a deposit portfolio in 2015.

Noninterest expense increased \$222 million (32.0 percent) in 2016, compared with 2015, principally due to higher compensation expense, reflecting the impact of merit increases and higher variable compensation along with increased staffing, higher professional services expense primarily due to compliance programs and implementation costs of capital investments to support business growth, an increase in reserves related to legal and regulatory matters and a 2016 charitable contribution, partially offset by lower net shared services expense.

Income taxes are assessed to each line of business at a managerial tax rate of 36.4 percent with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support.

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,
- Tangible common equity to risk-weighted assets,
- Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach, and
- Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches.

These capital measures are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected 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 measures differ from currently effective capital ratios defined by banking regulations principally in that the numerator of the currently effective ratios, which are subject to certain transitional provisions, temporarily excludes a portion of unrealized gains and losses related to available-for-sale securities and retirement plan obligations, and includes a portion of capital related to intangible assets, other than MSRs. These capital measures are not defined in generally accepted accounting principles ("GAAP"), or are not currently effective or defined in federal banking regulations. As a result, these capital measures disclosed by the Company may be considered non-GAAP financial measures.

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:

At December 31 (Dollars in Millions)	2016	2015	2014	2013	2012
Total equity	\$ 47,933	\$ 46,817	\$ 44,168	\$ 41,807	\$ 40,267
Preferred stock	(5,501)	(5,501)	(4,756)	(4,756)	(4,769)
Noncontrolling interests	(635)	(686)	(689)	(694)	(1,269)
Goodwill (net of deferred tax liability) ⁽¹⁾	(8,203)	(8,295)	(8,403)	(8,343)	(8,351)
Intangible assets, other than mortgage servicing rights	(712)	(838)	(824)	(849)	(1,006)
Tangible common equity(a)	32,882	31,497	29,496	27,165	24,872
Tangible common equity (as calculated above)	32,882	31,497	29,496	27,165	24,872
Adjustments ⁽²⁾	(55)	67	172	224	126
Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches ^{(3) (b)}	32,827	31,564	29,668	27,389	24,998
Tier 1 capital, determined in accordance with prescribed regulatory requirements using Basel I definition				33,386	31,203
Preferred stock				(4,756)	(4,769)
Noncontrolling interests, less preferred stock not eligible for Tier 1 capital				(688)	(685)
Tier 1 common equity using Basel I definition(c)				27,942	25,749
Total assets	445,964	421,853	402,529	364,021	353,855
Goodwill (net of deferred tax liability) ⁽¹⁾	(8,203)	(8,295)	(8,403)	(8,343)	(8,351)
Intangible assets, other than mortgage servicing rights	(712)	(838)	(824)	(849)	(1,006)
Tangible assets(d)	437,049	412,720	393,302	354,829	344,498
Risk-weighted assets, determined in accordance with prescribed transitional standardized approach regulatory requirements ^{(4) (e)}	358,237	341,360	317,398	297,919	287,611
Adjustments ⁽⁵⁾	4,027	3,892	11,110	13,712	21,233
Risk-weighted assets estimated for the Basel III fully implemented standardized approach ^{(3) (f)}	362,264	345,252	328,508	311,631	308,844
Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements	277,141	261,668	248,596		
Adjustments ⁽⁶⁾	4,295	4,099	3,270		
Risk-weighted assets estimated for the Basel III fully implemented advanced approaches(g)	281,436	265,767	251,866		
Ratios					
Tangible common equity to tangible assets(a)/(d)	7.5%	7.6%	7.5%	7.7%	7.2%
Tangible common equity to risk-weighted assets(a)/(e)	9.2	9.2	9.3	9.1	8.6
Tier 1 common equity to risk-weighted assets using Basel I definition(c)/(e)				9.4	9.0
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach(b)/(f) ⁽³⁾	9.1	9.1	9.0	8.8	8.1
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches(b)/(g)	11.7	11.9	11.8		

	Three Months Ended December 31		Year Ended December 31				
	2016	2015	2016	2015	2014	2013	2012
Net interest income	\$2,955	\$2,819	\$11,528	\$11,001	\$10,775	\$10,604	\$10,745
Taxable-equivalent adjustment ⁽⁷⁾	49	52	203	213	222	224	224
Net interest income, on a taxable-equivalent basis	3,004	2,871	11,731	11,214	10,997	10,828	10,969
Net interest income, on a taxable-equivalent basis (as calculated above)	3,004	2,871	11,731	11,214	10,997	10,828	10,969
Noninterest income	2,431	2,340	9,577	9,092	9,164	8,774	9,319
Less: Securities gains (losses), net	6	1	22	—	3	9	(15)
Total net revenue, excluding net securities gains (losses)(h)	5,429	5,210	21,286	20,306	20,158	19,593	20,303
Noninterest expense(i)	3,004	2,809	11,676	10,931	10,715	10,274	10,456
Efficiency ratio(i)/(h)	55.3%	53.9%	54.9%	53.8%	53.2%	52.4%	51.5%

⁽¹⁾Includes goodwill related to certain investments in unconsolidated financial institutions per prescribed regulatory requirements beginning March 31, 2014.

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

⁽³⁾December 31, 2016, 2015, 2014 and 2013, calculated using final rules for the Basel III fully implemented standardized approach; December 31, 2012, calculated using proposed rules for the Basel III fully implemented standardized approach released June 2012.

⁽⁴⁾December 31, 2016, 2015 and 2014, calculated under the Basel III transitional standardized approach; all other periods calculated under Basel I.

⁽⁵⁾Includes higher risk-weighting for unfunded loan commitments, investment securities, residential mortgages, MSRs and other adjustments.

⁽⁶⁾Primarily reflects higher risk-weighting for MSRs.

⁽⁷⁾Utilizes a tax rate of 35 percent for those assets and liabilities whose income or expense is not included for federal income tax purposes.

Accounting Changes

Note 2 of the Notes to Consolidated Financial Statements discusses accounting standards recently issued but not yet required to be adopted and the expected impact of these changes in accounting standards. To the extent the adoption of new accounting standards materially affects the Company's financial condition or results of operations, the impacts are discussed in the applicable section(s) of the Management's Discussion and Analysis and the Notes to Consolidated Financial Statements.

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. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information (including third party sources or available prices), sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under GAAP. Management has discussed the development and the selection of critical accounting policies with the Company's Audit Committee.

Significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements. Those policies considered to be critical accounting policies are described below.

Allowance for Credit Losses The allowance for credit losses is established to provide for probable and estimable losses incurred in the Company's credit portfolio. The methods utilized to estimate the allowance for credit losses, key assumptions and quantitative and qualitative information considered by management in determining the appropriate allowance for credit losses are discussed in the "Credit Risk Management" section.

Management's evaluation of the appropriate allowance for credit losses is often the most critical of all the accounting estimates for a banking institution. It is an inherently subjective process impacted by many factors as discussed throughout the Management's Discussion and Analysis section of the Annual Report. Although methodologies utilized to determine each element of the allowance reflect management's assessment of credit risk as identified through assessments completed of

individual credits and of homogenous pools affected by material credit events, degrees of imprecision exist in these measurement tools due in part to subjective judgments involved and an inherent lagging of credit quality measurements relative to the stage of the business cycle. Even determining the stage of the business cycle is highly subjective. As discussed in the "Analysis and Determination of Allowance for Credit Losses" section, management considers the effect of changes in economic conditions, risk management practices, and other factors that contribute to imprecision of loss estimates in determining the allowance for credit losses. If not considered, incurred losses in the portfolio related to imprecision and other subjective factors could have a dramatic adverse impact on the liquidity and financial viability of a banking institution.

Given the many subjective factors affecting the credit portfolio, changes in the allowance for credit losses may not directly coincide with changes in the risk ratings of the credit portfolio reflected in the risk rating process. This is in part due to the timing of the risk rating process in relation to changes in the business cycle, the exposure and mix of loans within risk rating categories, levels of nonperforming loans and the timing of charge-offs and recoveries. For example, the amount of loans within specific risk ratings may change, providing a leading indicator of changing credit quality, while nonperforming loans and net charge-offs may be slower to reflect changes. Also, inherent loss ratios, determined through migration analysis and historical loss performance over the estimated business cycle of a loan, may not change to the same degree as net charge-offs. Because risk ratings and inherent loss ratios primarily drive the allowance specifically allocated to commercial lending segment loans, the degree of change in the commercial lending allowance may differ from the level of changes in nonperforming loans and net charge-offs. Also, management would maintain an appropriate allowance for credit losses by updating allowance rates to reflect changes in economic uncertainty or business cycle conditions.

Some factors considered in determining the appropriate allowance for credit losses are quantifiable while other factors require qualitative judgment.

Management conducts an analysis with respect to the accuracy of risk ratings and the volatility of inherent losses, and utilizes this analysis along with qualitative factors that can affect the precision of credit loss estimates, including economic conditions, such as changes in unemployment or bankruptcy rates, and concentration risks, such as risks associated with specific industries, collateral valuations, and loans to highly leveraged enterprises, in determining the overall level of the allowance for credit losses. The Company's determination of the allowance for commercial lending segment loans is sensitive to the assigned credit risk ratings and inherent loss rates at December 31, 2016. In the event that 10 percent of period ending loan balances (including unfunded commitments) within each risk category of this segment of the loan portfolio experienced downgrades of two risk categories, the allowance for credit losses would increase by approximately \$252 million at December 31, 2016. The Company

believes the allowance for credit losses appropriately considers the imprecision in estimating credit losses based on credit risk ratings and inherent loss rates but actual losses may differ from those estimates. In the event that inherent loss or estimated loss rates for commercial lending segment loans increased by 10 percent, the allowance for credit losses would increase by approximately \$181 million at December 31, 2016. The Company's determination of the allowance for consumer lending segment loans is sensitive to changes in estimated loss rates and estimated impairments on restructured loans. In the event that estimated losses for this segment of the loan portfolio increased by 10 percent, the allowance for credit losses would increase by approximately \$170 million at December 31, 2016. Because several quantitative and qualitative factors are considered in determining the allowance for credit losses, these sensitivity analyses do not necessarily reflect the nature and extent of future changes in the allowance for credit losses. They are intended to provide insights into the impact of adverse changes in risk rating and inherent losses and do not imply any expectation of future deterioration in the risk rating or loss rates. Given current processes employed by the Company, management believes the risk ratings and inherent loss rates currently assigned are appropriate. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions that could be significant to the Company's financial statements. Refer to the "Analysis and Determination of the Allowance for Credit Losses" section for further information.

Fair Value Estimates A portion of the Company's assets and liabilities are carried at fair value on the Consolidated Balance Sheet, with changes in fair value recorded either through earnings or other comprehensive income (loss) in accordance with applicable accounting principles generally accepted in the United States. These include all of the Company's available-for-sale investment securities, derivatives and other trading instruments, MSRs and MLHFS. The estimation of fair value also affects other loans held for sale, which are recorded at the lower-of-cost-or-fair value. The determination of fair value is important for certain other assets that are periodically evaluated for impairment using fair value estimates including goodwill and other intangible assets, impaired loans, OREO and other repossessed assets.

Fair value is generally defined as the exit price at which an asset or liability could be exchanged in a current transaction between willing, unrelated parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices in an active market, or if market prices are not available, is estimated using models employing techniques such as matrix pricing or discounting expected cash flows. The significant assumptions used in the models, which include assumptions for interest rates, discount rates, prepayments and credit losses, are independently verified against observable market data where possible. Where observable market data is not available, the estimate of fair value becomes more subjective and involves a high degree of judgment. In this circumstance, fair value is estimated based on management's judgment regarding the value that market participants would assign to the asset or liability. This valuation

process takes into consideration factors such as market illiquidity. Imprecision in estimating these factors can impact the amount recorded on the balance sheet for a particular asset or liability with related impacts to earnings or other comprehensive income (loss).

When available, trading and available-for-sale securities are valued based on quoted market prices. However, certain securities are traded less actively and therefore, quoted market prices may not be available. The determination of fair value may require benchmarking to similar instruments or performing a discounted cash flow analysis using estimates of future cash flows and prepayment, interest and default rates. An example is non-agency residential mortgage-backed securities. For more information on investment securities, refer to Note 4 of the Notes to Consolidated Financial Statements.

As few derivative contracts are listed on an exchange, the majority of the Company's derivative positions are valued using valuation techniques that use readily observable market inputs. Certain derivatives, however, must be valued using techniques that include unobservable inputs. For these instruments, the significant assumptions must be estimated and therefore, are subject to judgment. Note 19 of the Notes to Consolidated Financial Statements provides a summary of the Company's derivative positions.

Refer to Note 21 of the Notes to Consolidated Financial Statements for additional information regarding estimations of fair value.

Purchased Loans and Related Indemnification Assets In accordance with applicable authoritative accounting guidance effective for the Company beginning January 1, 2009, all purchased loans and related indemnification assets arising from loss-sharing arrangements with the FDIC are recorded at fair value at date of purchase. The initial valuation of these loans and the related indemnification assets requires management to make subjective judgments concerning estimates about how the acquired loans will perform in the future using valuation methods including discounted cash flow analysis and independent third party appraisals. Factors that may significantly affect the initial valuation include, among others, market-based and industry data related to expected changes in interest rates, assumptions related to probability and severity of credit losses, estimated timing of credit losses including the foreclosure and liquidation of collateral, expected prepayment rates, required or anticipated loan modifications, unfunded loan commitments, the specific terms and provisions of any loss sharing agreements, and specific industry and market conditions that may impact discount rates and independent third party appraisals.

On an ongoing basis, the accounting for purchased loans and related indemnification assets follows applicable authoritative accounting guidance for purchased non-impaired loans and purchased impaired loans. Refer to Notes 1 and 5 of the Notes to Consolidated Financial Statements for additional information. In addition, refer to the "Analysis and Determination of the Allowance for Credit Losses" section for information on the determination of the required allowance for credit losses, if any, for these loans.

Mortgage Servicing Rights (MSRs) are capitalized as separate assets when loans are sold and servicing is retained, or may be purchased from others. The Company records MSRs at fair value. Because MSRs do not trade in an active market with readily observable prices, the Company determines the fair value by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, option adjusted spread, and other assumptions validated through comparison to trade information, industry surveys and independent third party valuations. Changes in the fair value of MSRs are recorded in earnings during the period in which they occur. Risks inherent in the MSRs' valuation include higher than expected prepayment rates and/or delayed receipt of cash flows. The Company utilizes derivatives, including interest rate swaps, swaptions, forward commitments to buy TBAs, U.S. Treasury and Eurodollar futures and options on U.S. Treasury futures, to mitigate the valuation risk. Refer to Notes 9 and 21 of the Notes to Consolidated Financial Statements for additional information on the assumptions used in determining the fair value of MSRs and an analysis of the sensitivity to changes in interest rates of the fair value of the MSRs portfolio and the related derivative instruments used to mitigate the valuation risk.

Goodwill and Other Intangibles The Company records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value. Goodwill is not amortized but is subject, at a minimum, to annual tests for impairment. In certain situations, interim impairment tests may be required if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other intangible assets are amortized over their estimated useful lives using straight-line and accelerated methods and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount.

The initial recognition of goodwill and other intangible assets and subsequent impairment analysis require management to make subjective judgments concerning estimates of how the acquired assets will perform in the future using valuation methods including discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine over an extended timeframe. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures, technology, changes in discount rates and specific industry and market conditions. In determining the reasonableness of cash flow estimates, the Company reviews historical performance of the underlying assets or similar assets in an effort to assess and validate assumptions utilized in its estimates.

In assessing the fair value of reporting units, the Company considers the stage of the current business cycle and potential changes in market conditions in estimating the timing and extent of future cash flows. Also, management often utilizes other information to validate the reasonableness of its valuations, including public market comparables, and multiples of recent mergers and acquisitions of similar businesses. Valuation

multiples may be based on revenue, price-to-earnings and tangible capital ratios of comparable public companies and business segments. These multiples may be adjusted to consider competitive differences, including size, operating leverage and other factors. The carrying amount of a reporting unit is determined based on the amount of equity required for the reporting unit's activities, considering the specific assets and liabilities of the reporting unit. The Company determines the amount of equity for each reporting unit on a risk-adjusted basis considering economic and regulatory capital requirements, capital markets activity in the Company's Wholesale Banking and Commercial Real Estate segment and includes deductions and limitations related to certain types of assets including MSRs and purchased credit card relationship intangibles. The Company does not assign corporate assets and liabilities to reporting units that do not relate to the operations of the reporting unit or are not considered in determining the fair value of the reporting unit. These assets and liabilities primarily relate to the Company's investment securities portfolio and other investments (including direct equity investments, bank-owned life insurance and tax-advantaged investments) and corporate debt and other funding liabilities. In the most recent goodwill impairment test, the portion of the Company's total equity allocated to the Treasury and Corporate Support operating segment included approximately \$2 billion in excess of the economic and regulatory capital requirements of that segment.

The Company's annual assessment of potential goodwill impairment was completed during the second quarter of 2016. Based on the results of this assessment, no goodwill impairment was recognized. The Company continues to monitor goodwill and other intangible assets for impairment indicators throughout the year.

Income Taxes The Company estimates income tax expense based on amounts expected to be owed to the various tax jurisdictions in which it operates, including federal, state and local domestic jurisdictions, and an insignificant amount to foreign jurisdictions. The estimated income tax expense is reported in the Consolidated Statement of Income. Accrued taxes are reported in other assets or other liabilities on the Consolidated Balance Sheet and represent the net estimated amount due to or to be received from taxing jurisdictions either currently or deferred to future periods. Deferred taxes arise from differences between assets and liabilities measured for financial reporting purposes versus income tax reporting purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit management believes is more likely than not to be realized upon settlement. In estimating accrued taxes, the Company assesses the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position. Because of the complexity of tax laws and regulations, interpretation can be difficult and

subject to legal judgment given specific facts and circumstances. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions regarding the estimated amounts of accrued taxes.

Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by various taxing authorities, and newly enacted statutory, judicial and regulatory guidance that impacts the relative merits and risks of tax positions. These changes, when they occur, affect accrued taxes and can be significant to the operating results of the Company. Refer to Note 18 of the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Controls and Procedures

Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company has evaluated the

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

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

The annual report of the Company's management on internal control over financial reporting is provided on page 72. The attestation report of Ernst & Young LLP, the Company's independent accountants, regarding the Company's internal control over financial reporting is provided on page 74.

Report of Management

Responsibility for the financial statements and other information presented throughout this Annual Report rests with the management of U.S. Bancorp. The Company believes the consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and present the substance of transactions based on the circumstances and management's best estimates and judgment.

In meeting its responsibilities for the reliability of the financial statements, management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined by Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's system of internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of publicly filed financial statements in accordance with accounting principles generally accepted in the United States.

To test compliance, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of the system of internal control. Although control procedures are designed and tested, it must be recognized that there are limits inherent in all systems of internal control and, therefore, errors and irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Board of Directors of the Company has an Audit Committee composed of directors who are independent of U.S. Bancorp. The Audit Committee meets periodically with management, the internal auditors and the independent accountants to consider audit results and to discuss internal accounting control, auditing and financial reporting matters.

Management assessed the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control-Integrated Framework (2013 framework). Based on our assessment and those criteria, management believes the Company designed and maintained effective internal control over financial reporting as of December 31, 2016.

The Company's independent accountants, Ernst & Young LLP, have been engaged to render an independent professional opinion on the financial statements and issue an attestation report on the Company's internal control over financial reporting. Their opinion on the financial statements appearing on page 73 and their attestation on internal control over financial reporting appearing on page 74 are based on procedures conducted in accordance with auditing standards of the Public Company Accounting Oversight Board (United States).

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of U.S. Bancorp:

We have audited the accompanying consolidated balance sheets of U.S. Bancorp as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of U.S. Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Bancorp at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), U.S. Bancorp's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 23, 2017 expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Minneapolis, Minnesota
February 23, 2017

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

The Board of Directors and Shareholders of U.S. Bancorp:

We have audited U.S. Bancorp's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). U.S. Bancorp's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on U.S. Bancorp's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, U.S. Bancorp maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of U.S. Bancorp as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 and our report dated February 23, 2017 expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Minneapolis, Minnesota
February 23, 2017

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U.S. Bancorp

Consolidated Balance Sheet

At December 31 (Dollars in Millions)

2016

2015

Assets		
Cash and due from banks	\$ 15,705	\$ 11,147
Investment securities		
Held-to-maturity (fair value \$42,435 and \$43,493, respectively)	42,991	43,590
Available-for-sale (\$755 and \$1,018 pledged as collateral, respectively) (a)	66,284	61,997
Loans held for sale (including \$4,822 and \$3,110 of mortgage loans carried at fair value, respectively)	4,826	3,184
Loans		
Commercial	93,386	88,402
Commercial real estate	43,098	42,137
Residential mortgages	57,274	53,496
Credit card	21,749	21,012
Other retail	53,864	51,206
Total loans, excluding covered loans	269,371	256,253
Covered loans	3,836	4,596
Total loans	273,207	260,849
Less allowance for loan losses	(3,813)	(3,863)
Net loans	269,394	256,986
Premises and equipment	2,443	2,513
Goodwill	9,344	9,361
Other intangible assets	3,303	3,350
Other assets (including \$314 and \$121 of trading securities at fair value pledged as collateral, respectively) (a)	31,674	29,725
Total assets	<u>\$445,964</u>	<u>\$421,853</u>
Liabilities and Shareholders' Equity		
Deposits		
Noninterest-bearing	\$ 86,097	\$ 83,766
Interest-bearing (b)	248,493	216,634
Total deposits	334,590	300,400
Short-term borrowings	13,963	27,877
Long-term debt	33,323	32,078
Other liabilities	16,155	14,681
Total liabilities	398,031	375,036
Shareholders' equity		
Preferred stock	5,501	5,501
Common stock, par value \$0.01 a share — authorized: 4,000,000,000 shares; issued: 2016 and 2015 — 2,125,725,742 shares	21	21
Capital surplus	8,440	8,376
Retained earnings	50,151	46,377
Less cost of common stock in treasury: 2016 — 428,813,585 shares; 2015 — 380,534,801 shares	(15,280)	(13,125)
Accumulated other comprehensive income (loss)	(1,535)	(1,019)
Total U.S. Bancorp shareholders' equity	47,298	46,131
Noncontrolling interests	635	686
Total equity	47,933	46,817
Total liabilities and equity	<u>\$445,964</u>	<u>\$421,853</u>

(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 \$3.0 billion and \$2.6 billion at December 31, 2016 and 2015, respectively.
See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Income

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)

	2016	2015	2014
Interest Income			
Loans	\$ 10,810	\$ 10,059	\$ 10,113
Loans held for sale	154	206	128
Investment securities	2,078	2,001	1,866
Other interest income	125	136	121
Total interest income	13,167	12,402	12,228
Interest Expense			
Deposits	622	457	465
Short-term borrowings	263	245	263
Long-term debt	754	699	725
Total interest expense	1,639	1,401	1,453
Net interest income	11,528	11,001	10,775
Provision for credit losses	1,324	1,132	1,229
Net interest income after provision for credit losses	10,204	9,869	9,546
Noninterest Income			
Credit and debit card revenue	1,177	1,070	1,021
Corporate payment products revenue	712	708	724
Merchant processing services	1,592	1,547	1,511
ATM processing services	338	318	321
Trust and investment management fees	1,427	1,321	1,252
Deposit service charges	725	702	693
Treasury management fees	583	561	545
Commercial products revenue	871	867	854
Mortgage banking revenue	979	906	1,009
Investment products fees	158	185	191
Securities gains (losses), net			
Realized gains (losses), net	27	1	11
Total other-than-temporary impairment	(6)	(1)	(7)
Portion of other-than-temporary impairment recognized in other comprehensive income	1	—	(1)
Total securities gains (losses), net	22	—	3
Other	993	907	1,040
Total noninterest income	9,577	9,092	9,164
Noninterest Expense			
Compensation	5,212	4,812	4,523
Employee benefits	1,119	1,167	1,041
Net occupancy and equipment	988	991	987
Professional services	502	423	414
Marketing and business development	435	361	382
Technology and communications	955	887	863
Postage, printing and supplies	311	297	328
Other intangibles	179	174	199
Other	1,975	1,819	1,978
Total noninterest expense	11,676	10,931	10,715
Income before income taxes	8,105	8,030	7,995
Applicable income taxes	2,161	2,097	2,087
Net income	5,944	5,933	5,908
Net (income) loss attributable to noncontrolling interests	(56)	(54)	(57)
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851
Net income applicable to U.S. Bancorp common shareholders	\$ 5,589	\$ 5,608	\$ 5,583
Earnings per common share	\$ 3.25	\$ 3.18	\$ 3.10
Diluted earnings per common share	\$ 3.24	\$ 3.16	\$ 3.08
Dividends declared per common share	\$ 1.070	\$ 1.010	\$.965
Average common shares outstanding	1,718	1,764	1,803
Average diluted common shares outstanding	1,724	1,772	1,813

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Comprehensive Income

Year Ended December 31 (Dollars in Millions)

	2016	2015	2014
Net income	\$ 5,944	\$ 5,933	\$ 5,908
Other Comprehensive Income (Loss)			
Changes in unrealized gains and losses on securities available-for-sale	(858)	(457)	764
Other-than-temporary impairment not recognized in earnings on securities available-for-sale	(1)	—	1
Changes in unrealized gains and losses on derivative hedges	74	(25)	(41)
Foreign currency translation	(28)	20	(4)
Changes in unrealized gains and losses on retirement plans	(255)	(142)	(733)
Reclassification to earnings of realized gains and losses	247	393	297
Income taxes related to other comprehensive income (loss)	305	88	(109)
Total other comprehensive income (loss)	(516)	(123)	175
Comprehensive income	5,428	5,810	6,083
Comprehensive (income) loss attributable to noncontrolling interests	(56)	(54)	(57)
Comprehensive income attributable to U.S. Bancorp	\$ 5,372	\$ 5,756	\$ 6,026

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Shareholders' Equity

(Dollars and Shares in Millions)	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, 2013	1,825	\$ 4,756	\$ 21	\$8,216	\$38,667	\$ (9,476)	\$ (1,071)	\$ 41,113	\$ 694	\$41,807
Net income (loss)					5,851			5,851	57	5,908
Other comprehensive income (loss)							175	175		175
Preferred stock dividends					(243)			(243)		(243)
Common stock dividends					(1,745)			(1,745)		(1,745)
Issuance of common and treasury stock	15			(13)		493		480		480
Purchase of treasury stock	(54)					(2,262)		(2,262)		(2,262)
Distributions to noncontrolling interests									(59)	(59)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				110				110	(3)	(3)
Balance December 31, 2014	1,786	\$ 4,756	\$ 21	\$8,313	\$42,530	\$ (11,245)	\$ (896)	\$ 43,479	\$ 689	\$44,168
Net income (loss)					5,879			5,879	54	5,933
Other comprehensive income (loss)							(123)	(123)		(123)
Preferred stock dividends					(247)			(247)		(247)
Common stock dividends					(1,785)			(1,785)		(1,785)
Issuance of preferred stock		745						745		745
Issuance of common and treasury stock	11			(55)		366		311		311
Purchase of treasury stock	(52)					(2,246)		(2,246)		(2,246)
Distributions to noncontrolling interests									(55)	(55)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				118				118	(2)	(2)
Balance December 31, 2015	1,745	\$ 5,501	\$ 21	\$8,376	\$46,377	\$ (13,125)	\$ (1,019)	\$ 46,131	\$ 686	\$46,817
Net income (loss)					5,888			5,888	56	5,944
Other comprehensive income (loss)							(516)	(516)		(516)
Preferred stock dividends					(281)			(281)		(281)
Common stock dividends					(1,842)			(1,842)		(1,842)
Issuance of common and treasury stock	13			(71)		445		374		374
Purchase of treasury stock	(61)					(2,600)		(2,600)		(2,600)
Distributions to noncontrolling interests									(56)	(56)
Purchase of noncontrolling interests				1	9			10	(50)	(40)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				134				134	(1)	(1)
Balance December 31, 2016	1,697	\$ 5,501	\$ 21	\$8,440	\$50,151	\$ (15,280)	\$ (1,535)	\$ 47,298	\$ 635	\$47,933

See Notes to Consolidated Financial Statements.

U.S. Bancorp

Consolidated Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)

	2016	2015	2014
Operating Activities			
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	1,324	1,132	1,229
Depreciation and amortization of premises and equipment	291	307	302
Amortization of intangibles	179	174	199
(Gain) loss on sale of loans held for sale	(954)	(993)	(801)
(Gain) loss on sale of securities and other assets	(617)	(403)	(595)
Loans originated for sale in the secondary market, net of repayments	(42,867)	(43,312)	(30,858)
Proceeds from sales of loans held for sale	41,605	45,211	29,962
Other, net	487	787	43
Net cash provided by operating activities	5,336	8,782	5,332
Investing Activities			
Proceeds from sales of available-for-sale investment securities	9,877	690	475
Proceeds from maturities of held-to-maturity investment securities	9,733	10,567	9,479
Proceeds from maturities of available-for-sale investment securities	14,625	13,395	7,212
Purchases of held-to-maturity investment securities	(9,171)	(9,234)	(15,597)
Purchases of available-for-sale investment securities	(29,684)	(20,502)	(21,752)
Net increase in loans outstanding	(13,383)	(11,788)	(12,873)
Proceeds from sales of loans	2,604	1,723	1,657
Purchases of loans	(2,881)	(4,475)	(2,355)
Acquisitions, net of cash acquired	—	—	3,436
Other, net	322	(1,526)	506
Net cash used in investing activities	(17,958)	(21,150)	(29,812)
Financing Activities			
Net increase in deposits	34,192	18,290	15,822
Net increase (decrease) in short-term borrowings	(13,914)	(2,016)	2,285
Proceeds from issuance of long-term debt	10,715	5,067	16,394
Principal payments or redemption of long-term debt	(9,495)	(5,311)	(4,128)
Proceeds from issuance of preferred stock	—	745	—
Proceeds from issuance of common stock	355	295	453
Repurchase of common stock	(2,556)	(2,190)	(2,200)
Cash dividends paid on preferred stock	(267)	(242)	(243)
Cash dividends paid on common stock	(1,810)	(1,777)	(1,726)
Purchase of noncontrolling interests	(40)	—	—
Net cash provided by financing activities	17,180	12,861	26,657
Change in cash and due from banks	4,558	493	2,177
Cash and due from banks at beginning of year	11,147	10,654	8,477
Cash and due from banks at end of year	\$ 15,705	\$ 11,147	\$ 10,654
Supplemental Cash Flow Disclosures			
Cash paid for income taxes	\$ 595	\$ 742	\$ 748
Cash paid for interest	1,591	1,434	1,476
Net noncash transfers to foreclosed property	156	204	199
Acquisitions			
Assets (sold) acquired	\$ —	\$ —	\$ 1,376
Liabilities sold (assumed)	—	—	(4,797)
Net	\$ —	\$ —	\$ (3,421)

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

NOTE 1 Significant Accounting Policies

U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. U.S. Bancorp and its subsidiaries (the "Company") provide a full range of financial services, including lending and depository services through banking offices principally in the Midwest and West regions of the United States. The Company also engages in credit card, merchant, and ATM processing, mortgage banking, cash management, capital markets, insurance, trust and investment management, brokerage, and leasing activities, principally in domestic markets.

Basis of Presentation The consolidated financial statements include the accounts of the Company and its subsidiaries and all variable interest entities ("VIEs") for which the Company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. Consolidation eliminates all significant intercompany accounts and transactions. Certain items in prior periods have been reclassified to conform to the current presentation.

Uses of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual experience could differ from those estimates.

Business Segments

Within the Company, financial performance is measured by major lines of business based on the products and services provided to customers through its distribution channels. The Company has five reportable operating segments:

Wholesale Banking and Commercial Real Estate Wholesale Banking and Commercial Real Estate 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.

Consumer and Small Business Banking Consumer and Small Business Banking delivers products and services through banking offices, telephone servicing and sales, on-line services, direct mail, ATM processing and mobile devices, such as mobile phones and tablet computers. It encompasses community banking, metropolitan banking and indirect lending, as well as mortgage banking.

Wealth Management and Securities Services Wealth Management and Securities 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.

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.

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 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.

Segment Results Accounting policies for the lines of business are 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 allocate funding costs and benefits, expenses and other financial elements to each line of business. For details of these methodologies and segment results, see "Basis for Financial Presentation" and Table 25 "Line of Business Financial Performance" included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

Securities

Realized gains or losses on securities are determined on a trade date basis based on the specific amortized cost of the investments sold.

Trading Securities Debt and equity securities held for resale are classified as trading securities and are included in other assets and reported at fair value. Changes in fair value and realized gains or losses are reported in noninterest income.

Available-for-sale Securities These securities are not trading securities but may be sold before maturity in response to changes in the Company's interest rate risk profile, funding needs, demand for collateralized deposits by public entities or other reasons. Available-for-sale securities are carried at fair value with unrealized net gains or losses reported within other comprehensive income (loss). Declines in fair value for credit-related other-than-temporary impairment, if any, are reported in noninterest income.

Held-to-maturity Securities Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Declines in fair value for credit-related

other-than-temporary impairment, if any, are reported in noninterest income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase Securities purchased under agreements to resell and securities sold under agreements to repurchase are accounted for as collateralized financing transactions with a receivable or payable recorded at the amounts at which the securities were acquired or sold, plus accrued interest. Collateral requirements are continually monitored and additional collateral is received or provided as required. The Company records a receivable or payable for cash collateral paid or received.

Equity Investments in Operating Entities

Equity investments in public entities in which the Company's ownership is less than 20 percent are generally accounted for as available-for-sale securities and are carried at fair value. Similar investments in private entities are accounted for using the cost method. Investments in entities where the Company has a significant influence (generally between 20 percent and 50 percent ownership), but does not control the entity, are accounted for using the equity method. Investments in limited partnerships and limited liability companies where the Company's ownership interest is greater than 5 percent are accounted for using the equity method. All equity investments are evaluated for impairment at least annually and more frequently if certain criteria are met.

Loans

The Company offers a broad array of lending products and 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 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 accounting methods for loans differ depending on whether the loans are originated or purchased, and for purchased loans, whether the loans were acquired at a discount related to evidence of credit deterioration since date of origination.

Originated Loans Held for Investment Loans the Company originates as held for investment are reported at the principal amount outstanding, net of unearned income, net deferred loan fees or costs, and any direct principal charge-offs. Interest income is accrued on the unpaid principal balances as earned. Loan and commitment fees and certain direct loan origination

costs are deferred and recognized over the life of the loan and/or commitment period as yield adjustments.

Purchased Loans All purchased loans (non-impaired and impaired) acquired after January 1, 2009 are initially measured at fair value as of the acquisition date in accordance with applicable authoritative accounting guidance. Credit discounts are included in the determination of fair value. An allowance for credit losses is not recorded at the acquisition date for loans purchased after January 1, 2009. In accordance with applicable authoritative accounting guidance, purchased non-impaired loans acquired in a business combination prior to January 1, 2009 were generally recorded at the predecessor's carrying value including an allowance for credit losses.

In determining the acquisition date fair value of purchased impaired loans, and in subsequent accounting, the Company generally aggregates purchased consumer loans and certain smaller balance commercial loans into pools of loans with common risk characteristics, while accounting for larger balance commercial loans individually. Expected cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. The present value of any decreases in expected cash flows, other than from decreases in variable interest rates, after the purchase date is recognized by recording an allowance for credit losses. Revolving loans, including lines of credit and credit cards loans, and leases are excluded from purchased impaired loans accounting.

For purchased loans acquired after January 1, 2009 that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan 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 exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Covered Assets Loans covered under loss sharing or similar credit protection agreements with the Federal Deposit Insurance Corporation ("FDIC") are reported in loans along with the related indemnification asset. Foreclosed real estate covered under similar agreements is recorded in other assets. In accordance with applicable authoritative accounting guidance effective for the Company beginning January 1, 2009, all purchased loans and related indemnification assets are recorded at fair value at the date of purchase.

Effective January 1, 2013, the Company amortizes any reduction in expected cash flows from the FDIC resulting from increases in expected cash flows from the covered assets (when there are no previous valuation allowances to reverse) over the

shorter of the remaining contractual term of the indemnification agreements or the remaining life of the covered assets. Prior to January 1, 2013, the Company considered such increases in expected cash flows of purchased loans and decreases in expected cash flows of the FDIC indemnification assets together and recognized them over the remaining life of the loans.

Commitments to Extend Credit Unfunded commitments for residential mortgage loans intended to be held for sale are considered derivatives and recorded in other assets and other liabilities on the Consolidated Balance Sheet at fair value with changes in fair value recorded in noninterest income. All other unfunded loan commitments are not considered derivatives and are not reported on the Consolidated Balance Sheet. For loans purchased after January 1, 2009, the fair value of the unfunded credit commitments is generally considered in the determination of the fair value of the loans recorded at the date of acquisition. Reserves for credit exposure on all other unfunded credit commitments are recorded in other liabilities.

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 FDIC. The allowance for credit losses is increased through provisions charged to operating earnings and reduced by net charge-offs. Management evaluates the allowance each quarter to ensure it appropriately reserves for incurred losses.

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. In the migration analysis applied to risk rated loan portfolios, the Company currently examines up to a 16-year period of 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 an appropriate historical time frame is selected 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, 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.

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 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 not classified on the Company's rating scale for problem credits, as minimal credit risk has been identified. Special mention loans are those that have a potential weakness deserving management's close attention. Classified loans are those 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.

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 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 rate of interest. 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 participates in the United States Department of Treasury Home Affordable Modification Program ("HAMP"). HAMP gives qualifying homeowners an opportunity to permanently modify residential mortgage loans and achieve more affordable monthly payments, with the United States Department of Treasury compensating the Company for a portion of the reduction in monthly amounts due from borrowers participating in this program. The Company also modifies residential mortgage loans under Federal Housing Administration, United States Department of Veterans Affairs, or its own internal programs. Under these programs, the Company provides concessions to qualifying borrowers experiencing financial difficulties. The 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.

Impaired Loans 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.

Leases The Company's lease portfolio includes both direct financing and leveraged leases. The net investment in direct financing leases is the sum of all minimum lease payments and estimated residual values, less unearned income. Unearned income is recorded in interest income over the terms of the leases to produce a level yield.

The investment in leveraged leases is the sum of all lease payments, less nonrecourse debt payments, plus estimated residual values, less unearned income. Income from leveraged leases is recognized over the term of the leases based on the unrecovered equity investment.

Residual values on leased assets are reviewed regularly for other-than-temporary impairment. Residual valuations for retail automobile leases are based on independent assessments of expected used car sale prices at the end-of-term. Impairment tests are conducted based on these valuations considering the probability of the lessee returning the asset to the Company, re-marketing efforts, insurance coverage and ancillary fees and

costs. Valuations for commercial leases are based upon external or internal management appraisals. When there is impairment of the Company's interest in the residual value of a leased asset, the carrying value is reduced to the estimated fair value with the writedown recognized in the current period.

Other Real Estate Other real estate owned ("OREO") is included in other assets, and is property acquired through foreclosure or other proceedings on defaulted loans. OREO is initially recorded at fair value, less estimated selling costs. The fair value of OREO is evaluated regularly and any decreases in value along with holding costs, such as taxes and insurance, are reported in noninterest expense.

Loans Held For Sale

Loans held for sale ("LHFS") represent mortgage loans intended to be sold in the secondary market and other loans that management has an active plan to sell. LHFS are carried at the lower-of-cost-or-fair value as determined on an aggregate basis by type of loan with the exception of loans for which the Company has elected fair value accounting, which are carried at fair value. The credit component of any writedowns upon the transfer of loans to LHFS is reflected in loan charge-offs.

Where an election is made to carry the LHFS at fair value, any change in fair value is recognized in noninterest income. Where an election is made to carry LHFS at lower-of-cost-or-fair value, any further decreases are recognized in noninterest income and increases in fair value above the loan cost basis are not recognized until the loans are sold. Fair value elections are made at the time of origination or purchase based on the Company's fair value election policy. The Company has elected fair value accounting for substantially all its mortgage loans held for sale ("MLHFS").

Derivative Financial 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. Derivative instruments are reported in other assets or other liabilities at fair value. Changes in a derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

All derivative instruments that qualify and are designated for hedge accounting are recorded at fair value and classified as either a hedge of the fair value of a recognized asset or liability ("fair value hedge"); a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"); or a hedge of the volatility of a net investment in foreign operations driven by changes in foreign currency exchange rates ("net investment hedge"). Changes in the fair value of a derivative that is highly effective and designated as a fair value hedge, and the offsetting changes in the fair value of the hedged item, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and designated as a cash flow hedge are recorded in

other comprehensive income (loss) until cash flows of the hedged item are realized. Any change in fair value resulting from hedge ineffectiveness is immediately recorded in noninterest income. Changes in the fair value of net investment hedges that are highly effective are recorded in other comprehensive income (loss). 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).

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).

Revenue Recognition

The Company recognizes revenue as it is earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. In certain circumstances, noninterest income is reported net of associated expenses that are directly related to variable volume-based sales or revenue sharing arrangements or when the Company acts on an agency basis for others. Certain specific policies include the following:

Credit and Debit Card Revenue Credit and debit card revenue includes interchange from consumer credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as transactions occur. Transaction and account management fees are recognized as transactions occur or services are provided, except for annual fees which are recognized over the applicable period. Volume-related payments to partners and credit card associations and costs for rewards programs are also recorded within credit and debit card revenue when earned by the partner or customer.

Corporate Payment Products Revenue Corporate payment products revenue primarily includes interchange from corporate and purchasing cards processed through card association networks and revenue from proprietary network transactions. The Company records corporate payment products revenue as transactions occur. Volume-related payments to customers and credit card associations are also recorded within corporate payment products revenue when earned by the customer or card association.

Merchant Processing Services Merchant processing services revenue consists principally of merchant discount and other

transaction and account management fees charged to merchants for the electronic processing of card association network transactions, net of interchange paid to the card-issuing bank, card association assessments, and revenue sharing amounts. All of these are recognized at the time the merchant's transactions are processed or other services are performed. The Company may enter into revenue sharing agreements with referral partners or in connection with purchases of merchant contracts from sellers. The revenue sharing amounts are determined primarily on sales volume processed or revenue generated for a particular group of merchants. Merchant processing revenue also includes revenues related to point-of-sale equipment recorded as sales when the equipment is shipped or as earned for equipment rentals.

Trust and Investment Management Fees Trust and investment management fees are recognized over the period in which services are performed and are based on a percentage of the fair value of the assets under management or administration, fixed based on account type, or transaction-based fees.

Deposit Service Charges Service charges on deposit accounts are primarily monthly fees based on minimum balances or transaction-based fees. These fees are recognized as earned or as transactions occur and services are provided.

Commercial Products Revenue Commercial products revenue primarily includes revenue related to ancillary services provided to Wholesale Banking and Commercial Real Estate customers including standby letter of credit fees, non-yield related loan fees, capital markets related revenue and non-yield related leasing revenue. These fees are recognized as earned or as transactions occur and services are provided.

Mortgage Banking Revenue Mortgage banking revenue includes revenue derived from mortgages originated and subsequently sold, generally with servicing retained. The primary components include: gains and losses on mortgage sales; servicing revenue; changes in fair value for mortgage loans originated with the intent to sell and measured at fair value under the fair value option; changes in fair value for derivative commitments to purchase and originate mortgage loans; changes in the fair value of mortgage servicing rights ("MSRs"); and the impact of risk management activities associated with the mortgage origination pipeline, funded loans and MSRs. Net interest income from mortgage loans is recorded in interest income. Refer to Other Significant Policies in Note 1, as well as Note 9 and Note 21 for a further discussion of MSRs.

Other Significant Policies

Goodwill and Other Intangible Assets Goodwill is recorded on acquired businesses if the purchase price exceeds the fair value of the net assets acquired. Other intangible assets are recorded at their fair value upon completion of a business acquisition or certain other transactions, and generally represent the value of customer contracts or relationships. Goodwill is not amortized but is subject, at a minimum, to annual tests for impairment at a

reporting unit level. In certain situations, an interim impairment test may be required if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other intangible assets are amortized over their estimated useful lives, using straight-line and accelerated methods and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. Determining the amount of goodwill impairment, if any, includes assessing the current implied fair value of the reporting unit as if it were being acquired in a business combination and comparing it to the carrying amount of the reporting unit's goodwill. Determining the amount of other intangible asset impairment, if any, includes assessing the present value of the estimated future cash flows associated with the intangible asset and comparing it to the carrying amount of the asset.

Income Taxes Deferred taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting carrying amounts. The Company uses the deferral method of accounting on investments that generate investment tax credits. Under this method, the investment tax credits are recognized as a reduction to the related asset. Beginning January 1, 2014, the Company presents the expense on certain qualified affordable housing investments in tax expense rather than noninterest expense.

Mortgage Servicing Rights MSRs are capitalized as separate assets when loans are sold and servicing is retained or if they are purchased from others. MSRs are recorded at fair value. The Company determines the fair value by estimating the present value of the asset's future cash flows utilizing market-based prepayment rates, option adjusted spread, and other assumptions validated through comparison to trade information, industry surveys and independent third party valuations. Changes in the fair value of MSRs are recorded in earnings as mortgage banking revenue during the period in which they occur.

Pensions For purposes of its pension plans, the Company utilizes its fiscal year-end as the measurement date. At the measurement date, plan assets are determined based on fair value, generally representing observable market prices or the net asset value provided by the funds' trustee or administrator. The actuarial cost method used to compute the pension liabilities and related expense is the projected unit credit method. The projected benefit obligation is principally determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on the investment yield of high quality corporate bonds available in the marketplace with maturities equal to projected cash flows of future benefit payments as of the measurement date. Periodic pension expense (or income) includes service costs, interest costs based on the assumed discount rate, the expected return on plan assets based on an actuarially derived market-related value and amortization of actuarial gains and losses. Pension accounting reflects the long-term nature of benefit obligations and the investment horizon of plan assets, and can have the effect of reducing earnings volatility related to short-term changes

in interest rates and market valuations. Actuarial gains and losses include the impact of plan amendments and various unrecognized gains and losses which are deferred and amortized over the future service periods of active employees. The market-related value utilized to determine the expected return on plan assets is based on fair value adjusted for the difference between expected returns and actual performance of plan assets. The unrealized difference between actual experience and expected returns is included in expense over a period of approximately fifteen years. The overfunded or underfunded status of the plans is recorded as an asset or liability on the Consolidated Balance Sheet, with changes in that status recognized through other comprehensive income (loss).

Premises and Equipment Premises and equipment are stated at cost less accumulated depreciation and depreciated primarily on a straight-line basis over the estimated life of the assets. Estimated useful lives range up to 40 years for newly constructed buildings and from 3 to 20 years for furniture and equipment.

Capitalized leases, less accumulated amortization, are included in premises and equipment. Capitalized lease obligations are included in long-term debt. Capitalized leases are amortized on a straight-line basis over the lease term and the amortization is included in depreciation expense.

Stock-Based Compensation The Company grants stock-based awards, including restricted stock, restricted stock units and options to purchase common stock of the Company. Stock option grants are for a fixed number of shares to employees and directors with an exercise price equal to the fair value of the shares at the date of grant. Restricted stock and restricted stock unit grants are awarded at no cost to the recipient. Stock-based compensation for awards is recognized in the Company's results of operations on a straight-line basis over the vesting period. The Company immediately recognizes compensation cost of awards to employees that meet retirement status, despite their continued active employment. The amortization of stock-based compensation reflects estimated forfeitures adjusted for actual forfeiture experience. As compensation expense is recognized, a deferred tax asset is recorded that represents an estimate of the future tax deduction from exercise or release of restrictions. At the time stock-based awards are exercised, cancelled, expire, or restrictions are released, the Company may be required to recognize an adjustment to tax expense, depending on the market price of the Company's common stock at that time.

Per Share Calculations Earnings per common share is calculated by dividing net income applicable to U.S. Bancorp common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per common share is calculated by adjusting income and outstanding shares, assuming conversion of all potentially dilutive securities.

NOTE 2 Accounting Changes

Revenue Recognition In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance, originally

effective for the Company on January 1, 2017, related to revenue recognition from contracts with customers. In August 2015, the FASB delayed the effective date of this guidance by one year, resulting in it becoming effective for the Company on January 1, 2018.

This guidance amends certain currently existing revenue recognition accounting guidance and allows for either retrospective application to all periods presented or a modified retrospective approach where the guidance would only be applied to existing contracts in effect at the adoption date and new contracts going forward. The Company expects the adoption of this guidance will not be material to its financial statements.

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 will require lessees to recognize all leases on the Consolidated Balance Sheet as lease assets and lease liabilities, with lessor accounting being largely unchanged. This guidance also requires additional disclosures regarding leasing arrangements. The Company expects the adoption of this guidance will not be material to its financial statements.

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. The Company is currently evaluating the impact of this guidance on its financial statements.

NOTE 3 Banks Restrictions on Cash and Due from

Banking regulators require bank subsidiaries to maintain minimum average reserve balances, either in the form of vault cash or reserve balances held with central banks or other financial institutions. The amount of required reserve balances were approximately \$3.0 billion and \$2.2 billion at December 31, 2016 and 2015, respectively, and primarily represent those required to be held at the Federal Reserve Bank. In addition to vault cash, the Company held balances at the Federal Reserve Bank and other financial institutions of \$2.9 billion and \$3.3 billion at December 31, 2016 and 2015, respectively, to meet these requirements. These balances are included in cash and due from banks on the Consolidated Balance Sheet.

NOTE 4 Investment Securities

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 at December 31 were as follows:

	2016					2015				
	Amortized Cost	Unrealized Gains	Unrealized Losses		Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses		Fair Value
(Dollars in Millions)			Other-than-Temporary (e)	Other (f)				Other-than-Temporary (e)	Other (f)	
Held-to-maturity (a)										
U.S. Treasury and agencies	\$ 5,246	\$ 12	\$ —	\$ (132)	\$ 5,126	\$ 2,925	\$ 14	\$ —	\$ (20)	\$ 2,919
Mortgage-backed securities										
Residential										
Agency	37,706	85	—	(529)	37,262	40,619	175	—	(273)	40,521
Non-agency non-prime (d)	1	—	—	—	1	1	—	—	—	1
Asset-backed securities										
Collateralized debt obligations/Collateralized loan obligations	—	5	—	—	5	—	6	—	—	6
Other	8	3	—	—	11	10	3	—	—	13
Obligations of state and political subdivisions	6	1	—	—	7	8	1	—	(1)	8
Obligations of foreign governments	9	—	—	—	9	9	—	—	—	9
Other debt securities	15	—	—	(1)	14	18	—	—	(2)	16
Total held-to-maturity	\$ 42,991	\$ 106	\$ —	\$ (662)	\$ 42,435	\$ 43,590	\$ 199	\$ —	\$ (296)	\$ 43,493
Available-for-sale (b)										
U.S. Treasury and agencies	\$ 17,314	\$ 11	\$ —	\$ (198)	\$ 17,127	\$ 4,611	\$ 12	\$ —	\$ (27)	\$ 4,596
Mortgage-backed securities										
Residential										
Agency	43,558	225	—	(645)	43,138	50,056	384	—	(364)	50,076
Non-agency										
Prime (c)	240	6	(3)	(1)	242	316	6	(3)	(1)	318
Non-prime (d)	178	20	(3)	—	195	221	20	(1)	—	240
Commercial agency	15	—	—	—	15	52	—	—	—	52
Asset-backed securities										
Collateralized debt obligations/Collateralized loan obligations	—	—	—	—	—	16	3	—	—	19
Other	475	8	—	—	483	532	9	—	—	541
Obligations of state and political subdivisions	5,167	55	—	(183)	5,039	5,149	169	—	(2)	5,316
Corporate debt securities	11	—	—	(2)	9	677	3	—	(70)	610
Perpetual preferred securities	—	—	—	—	—	153	20	—	(12)	161
Other investments	27	9	—	—	36	34	34	—	—	68
Total available-for-sale	\$ 66,985	\$ 334	\$ (6)	\$ (1,029)	\$ 66,284	\$ 61,817	\$ 660	\$ (4)	\$ (476)	\$ 61,997

(a) Held-to-maturity investment securities are carried at historical cost or at fair value at the time of transfer from the available-for-sale to held-to-maturity category, adjusted for amortization of premiums and accretion of discounts and credit-related other-than-temporary impairment.

(b) 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.

(c) 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). When the Company determines the designation, prime securities typically have a weighted-average credit score of 725 or higher and a loan-to-value of 80 percent or lower; however, other pool characteristics may result in designations that deviate from these credit score and loan-to-value thresholds.

(d) Includes all securities not meeting the conditions to be designated as prime.

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

(f) 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 5.1 years at December 31, 2016, compared with 4.7 years at December 31, 2015. The corresponding weighted-average yields were 2.06 percent and 2.21 percent, respectively. The weighted-average maturity of the held-to-maturity investment securities was 4.6 years at December 31, 2016, and 4.2 years at December 31, 2015. The corresponding weighted-average yields were 1.93 percent and 1.92 percent, respectively.

For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale investment securities outstanding at December 31, 2016, refer to Table 13 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 \$11.3 billion at December 31, 2016, and \$13.1 billion at December 31, 2015, 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 \$755 million at December 31, 2016, and \$1.0 billion at December 31, 2015.

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

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Taxable	\$ 1,878	\$ 1,778	\$ 1,634
Non-taxable	200	223	232
Total interest income from investment securities	\$2,078	\$2,001	\$1,866

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

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Realized gains	\$ 93	\$ 7	\$ 11
Realized losses	(66)	(6)	—
Net realized gains (losses)	\$ 27	\$ 1	\$ 11
Income tax (benefit) on net realized gains (losses)	\$ 10	\$ —	\$ 4

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 debt 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 years ended December 31, 2016, 2015 and 2014.

Changes in the credit losses on debt securities are summarized as follows:

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Balance at beginning of period	\$ 84	\$ 101	\$ 116
Additions to Credit Losses Due to Other-than-temporary Impairments			
Decreases in expected cash flows on securities for which other-than-temporary impairment was previously recognized	3	1	3
Total other-than-temporary impairment on debt securities	3	1	3
Other Changes in Credit Losses			
Increases in expected cash flows	(2)	(3)	(5)
Realized losses (a)	(10)	(15)	(13)
Balance at end of period	\$ 75	\$ 84	\$ 101

(a) Primarily represents principal losses allocated to mortgage and asset-backed securities in the Company's portfolio under the terms of the securitization transaction documents.

At December 31, 2016, 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 December 31, 2016:

(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	\$ 3,662	\$ (132)	\$ —	\$ —	\$ 3,662	\$ (132)
Residential agency mortgage-backed securities	26,937	(462)	2,132	(67)	29,069	(529)
Other asset-backed securities	—	—	5	—	5	—
Other debt securities	15	(1)	—	—	15	(1)
Total held-to-maturity	\$30,614	\$ (595)	\$ 2,137	\$ (67)	\$32,751	\$ (662)
Available-for-sale						
U.S. Treasury and agencies	\$ 14,490	\$ (198)	\$ —	\$ —	\$ 14,490	\$ (198)
Residential mortgage-backed securities						
Agency	30,601	(552)	3,149	(93)	33,750	(645)
Non-agency (a)						
Prime (b)	11	—	93	(4)	104	(4)
Non-prime (c)	18	(1)	12	(2)	30	(3)
Commercial agency	10	—	—	—	10	—
Other asset-backed securities	—	—	2	—	2	—
Obligations of state and political subdivisions	2,272	(183)	3	—	2,275	(183)
Corporate debt securities	—	—	9	(2)	9	(2)
Other investments	1	—	—	—	1	—
Total available-for-sale	\$47,403	\$ (934)	\$ 3,268	\$ (101)	\$50,671	\$ (1,035)

(a) The Company had \$7 million of unrealized losses on residential non-agency mortgage-backed securities. Credit-related other-than-temporary impairment on these securities may occur if there is further deterioration in the underlying collateral pool performance. Borrower defaults may increase if economic conditions worsen. Additionally, deterioration in home prices may increase the severity of projected losses.

(b) 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).

(c) Includes all securities not meeting the conditions to be designated as prime.

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 December 31, 2016, 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 5 Loans and Allowance for Credit Losses

The composition of the loan portfolio at December 31, disaggregated by class and underlying specific portfolio type, was as follows:

(Dollars in Millions)	2016	2015
Commercial		
Commercial	\$ 87,928	\$ 83,116
Lease financing	5,458	5,286
Total commercial	93,386	88,402
Commercial Real Estate		
Commercial mortgages	31,592	31,773
Construction and development	11,506	10,364
Total commercial real estate	43,098	42,137
Residential Mortgages		
Residential mortgages	43,632	40,425
Home equity loans, first liens	13,642	13,071
Total residential mortgages	57,274	53,496
Credit Card	21,749	21,012
Other Retail		
Retail leasing	6,316	5,232
Home equity and second mortgages	16,369	16,384
Revolving credit	3,282	3,354
Installment	8,087	7,030
Automobile	17,571	16,587
Student	2,239	2,619
Total other retail	53,864	51,206
Total loans, excluding covered loans	269,371	256,253
Covered Loans	3,836	4,596
Total loans	\$273,207	\$260,849

The Company had loans of \$84.5 billion at December 31, 2016, and \$78.1 billion at December 31, 2015, pledged at the Federal Home Loan Bank, and loans of \$66.5 billion at December 31, 2016, and \$63.4 billion at December 31, 2015, pledged at the Federal Reserve Bank.

The majority of the Company's loans are to borrowers in the states in which it has Consumer and Small Business Banking offices. Collateral for commercial loans may include marketable securities, accounts receivable, inventory, equipment and real estate. For details of the Company's commercial portfolio by industry group and geography as of December 31, 2016 and 2015, see Table 7 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

For detail of the Company's commercial real estate portfolio by property type and geography as of December 31, 2016 and 2015, see Table 8 included in Management's Discussion and

Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements. Collateral for such loans may include the related property, marketable securities, accounts receivable, inventory and equipment.

Originated loans are reported at the principal amount outstanding, net of unearned interest and deferred fees and costs. Net unearned interest and deferred fees and costs amounted to \$672 million at December 31, 2016, and \$550 million at December 31, 2015. 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 for the years ended December 31, were as follows:

(Dollars in Millions)	2016	2015	2014
Balance at beginning of period	\$ 957	\$ 1,309	\$ 1,655
Accretion	(392)	(382)	(441)
Disposals	(110)	(132)	(131)
Reclassifications from nonaccretable difference (a)	244	163	229
Other	(1)	(1)	(3)
Balance at end of period	\$ 698	\$ 957	\$ 1,309

(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 FDIC.

Activity in 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
Balance at December 31, 2015	\$ 1,287	\$ 724	\$ 631	\$ 883	\$ 743	\$ 4,268	\$ 38	\$ 4,306
Add								
Provision for credit losses	488	75	(61)	728	95	1,325	(1)	1,324
Deduct								
Loans charged off	417	22	85	759	332	1,615	—	1,615
Less recoveries of loans charged off	(92)	(35)	(25)	(83)	(111)	(346)	—	(346)
Net loans charged off	325	(13)	60	676	221	1,269	—	1,269
Other changes (a)	—	—	—	(1)	—	(1)	(3)	(4)
Balance at December 31, 2016	\$ 1,450	\$ 812	\$ 510	\$ 934	\$ 617	\$ 4,323	\$ 34	\$ 4,357
Balance at December 31, 2014	\$ 1,146	\$ 726	\$ 787	\$ 880	\$ 771	\$ 4,310	\$ 65	\$ 4,375
Add								
Provision for credit losses	361	(30)	(47)	654	193	1,131	1	1,132
Deduct								
Loans charged off	314	22	135	726	319	1,516	—	1,516
Less recoveries of loans charged off	(95)	(50)	(26)	(75)	(98)	(344)	—	(344)
Net loans charged off	219	(28)	109	651	221	1,172	—	1,172
Other changes (a)	(1)	—	—	—	—	(1)	(28)	(29)
Balance at December 31, 2015	\$ 1,287	\$ 724	\$ 631	\$ 883	\$ 743	\$ 4,268	\$ 38	\$ 4,306
Balance at December 31, 2013	\$ 1,075	\$ 776	\$ 875	\$ 884	\$ 781	\$ 4,391	\$ 146	\$ 4,537
Add								
Provision for credit losses	266	(63)	107	657	278	1,245	(16)	1,229
Deduct								
Loans charged off	305	36	216	725	384	1,666	13	1,679
Less recoveries of loans charged off	(110)	(49)	(21)	(67)	(96)	(343)	(2)	(345)
Net loans charged off	195	(13)	195	658	288	1,323	11	1,334
Other changes (a)	—	—	—	(3)	—	(3)	(54)	(57)
Balance at December 31, 2014	\$ 1,146	\$ 726	\$ 787	\$ 880	\$ 771	\$ 4,310	\$ 65	\$ 4,375

(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 December 31, 2016 Related to								
Loans individually evaluated for impairment (a)	\$ 50	\$ 4	\$ —	\$ —	\$ —	\$ 54	\$ —	\$ 54
TDRs collectively evaluated for impairment	12	4	180	65	20	281	1	282
Other loans collectively evaluated for impairment	1,388	798	330	869	597	3,982	—	3,982
Loans acquired with deteriorated credit quality	—	6	—	—	—	6	33	39
Total allowance for credit losses	\$ 1,450	\$ 812	\$ 510	\$ 934	\$ 617	\$ 4,323	\$ 34	\$ 4,357
Allowance Balance at December 31, 2015 Related to								
Loans individually evaluated for impairment (a)	\$ 11	\$ 2	\$ —	\$ —	\$ —	\$ 13	\$ —	\$ 13
TDRs collectively evaluated for impairment	10	7	236	57	33	343	2	345
Other loans collectively evaluated for impairment	1,266	703	395	826	710	3,900	—	3,900
Loans acquired with deteriorated credit quality	—	12	—	—	—	12	36	48
Total allowance for credit losses	\$ 1,287	\$ 724	\$ 631	\$ 883	\$ 743	\$ 4,268	\$ 38	\$ 4,306

(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
December 31, 2016								
Loans individually evaluated for impairment (a)	\$ 623	\$ 70	\$ —	\$ —	\$ —	\$ 693	\$ —	\$ 693
TDRs collectively evaluated for impairment	145	146	3,678	222	173	4,364	35	4,399
Other loans collectively evaluated for impairment	92,611	42,751	53,595	21,527	53,691	264,175	1,553	265,728
Loans acquired with deteriorated credit quality	7	131	1	—	—	139	2,248	2,387
Total loans	\$ 93,386	\$ 43,098	\$ 57,274	\$ 21,749	\$ 53,864	\$ 269,371	\$ 3,836	\$ 273,207
December 31, 2015								
Loans individually evaluated for impairment (a)	\$ 336	\$ 41	\$ 13	\$ —	\$ —	\$ 390	\$ —	\$ 390
TDRs collectively evaluated for impairment	138	235	4,241	210	211	5,035	35	5,070
Other loans collectively evaluated for impairment	87,927	41,566	49,241	20,802	50,995	250,531	2,059	252,590
Loans acquired with deteriorated credit quality	1	295	1	—	—	297	2,502	2,799
Total loans	\$ 88,402	\$ 42,137	\$ 53,496	\$ 21,012	\$ 51,206	\$ 256,253	\$ 4,596	\$ 260,849

(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. These credit quality ratings are an important part of the Company's overall credit risk management and evaluation of its allowance for credit losses.

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				Total
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonperforming	
December 31, 2016					
Commercial	\$ 92,588	\$ 263	\$ 52	\$ 483	\$ 93,386
Commercial real estate	42,922	44	8	124	43,098
Residential mortgages (a)	56,372	151	156	595	57,274
Credit card	21,209	284	253	3	21,749
Other retail	53,340	284	83	157	53,864
Total loans, excluding covered loans	266,431	1,026	552	1,362	269,371
Covered loans	3,563	55	212	6	3,836
Total loans	\$269,994	\$ 1,081	\$ 764	\$ 1,368	\$273,207
December 31, 2015					
Commercial	\$ 87,863	\$ 317	\$ 48	\$ 174	\$ 88,402
Commercial real estate	41,907	89	14	127	42,137
Residential mortgages (a)	52,438	170	176	712	53,496
Credit card	20,532	243	228	9	21,012
Other retail	50,745	224	75	162	51,206
Total loans, excluding covered loans	253,485	1,043	541	1,184	256,253
Covered loans	4,236	62	290	8	4,596
Total loans	\$257,721	\$ 1,105	\$ 831	\$ 1,192	\$260,849

(a) At December 31, 2016, \$273 million of loans 30–89 days past due and \$2.5 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 \$320 million and \$2.9 billion at December 31, 2015, respectively.

Total nonperforming assets include nonaccrual loans, restructured loans not performing in accordance with modified terms, other real estate and other nonperforming assets owned by the Company. For details of the Company's nonperforming assets as of December 31, 2016 and 2015, see Table 16 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

At December 31, 2016, the amount of foreclosed residential real estate held by the Company, and included in OREO, was \$201 million (\$175 million excluding covered assets), compared with \$282 million (\$250 million excluding covered assets) at December 31, 2015. This excludes \$373 million and \$535 million

at December 31, 2016 and 2015, 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 December 31, 2016 and 2015, was \$2.1 billion and \$2.6 billion, respectively, of which \$1.6 billion and \$1.9 billion, 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 following table provides a summary of loans by portfolio class and the Company's internal credit quality rating:

(Dollars in Millions)	Pass	Criticized		Total Criticized	Total
		Special Mention	Classified ^(a)		
December 31, 2016					
Commercial ^(b)	\$ 89,739	\$ 1,721	\$ 1,926	\$ 3,647	\$ 93,386
Commercial real estate	41,634	663	801	1,464	43,098
Residential mortgages ^(c)	56,457	10	807	817	57,274
Credit card	21,493	—	256	256	21,749
Other retail	53,576	6	282	288	53,864
Total loans, excluding covered loans	262,899	2,400	4,072	6,472	269,371
Covered loans	3,766	—	70	70	3,836
Total loans	\$266,665	\$2,400	\$ 4,142	\$ 6,542	\$273,207
Total outstanding commitments	\$562,704	\$4,920	\$ 5,629	\$10,549	\$573,253
December 31, 2015					
Commercial ^(b)	\$ 85,206	\$ 1,629	\$ 1,567	\$ 3,196	\$ 88,402
Commercial real estate	41,079	365	693	1,058	42,137
Residential mortgages ^(c)	52,548	2	946	948	53,496
Credit card	20,775	—	237	237	21,012
Other retail	50,899	6	301	307	51,206
Total loans, excluding covered loans	250,507	2,002	3,744	5,746	256,253
Covered loans	4,507	—	89	89	4,596
Total loans	\$255,014	\$2,002	\$ 3,833	\$ 5,835	\$260,849
Total outstanding commitments	\$539,614	\$3,945	\$ 4,845	\$ 8,790	\$548,404

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

^(b) At December 31, 2016, \$1.2 billion of energy loans (\$2.8 billion of total outstanding commitments) had a special mention or classified rating, compared with \$1.1 billion of energy loans (\$1.9 billion of total outstanding commitments) at December 31, 2015.

^(c) At December 31, 2016, \$2.5 billion of GNMA loans 90 days or more past due and \$1.6 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 \$2.9 billion and \$1.9 billion at December 31, 2015, 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. 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
December 31, 2016				
Commercial	\$ 849	\$ 1,364	\$ 68	\$ 284
Commercial real estate	293	697	10	—
Residential mortgages	2,274	2,847	153	—
Credit card	222	222	64	—
Other retail	281	456	22	4
Total loans, excluding GNMA and covered loans	3,919	5,586	317	288
Loans purchased from GNMA mortgage pools	1,574	1,574	28	—
Covered loans	36	42	1	1
Total	\$ 5,529	\$ 7,202	\$ 346	\$ 289
December 31, 2015				
Commercial	\$ 520	\$ 1,110	\$ 25	\$ 154
Commercial real estate	336	847	11	1
Residential mortgages	2,575	3,248	199	—
Credit card	210	210	57	—
Other retail	309	503	35	4
Total loans, excluding GNMA and covered loans	3,950	5,918	327	159
Loans purchased from GNMA mortgage pools	1,913	1,913	40	—
Covered loans	39	48	2	1
Total	\$ 5,902	\$ 7,879	\$ 369	\$ 160

^(a) Substantially all loans classified as impaired at December 31, 2016 and 2015, had an associated allowance for credit losses. The total amount of interest income recognized during 2016 on loans classified as impaired at December 31, 2016, excluding those acquired with deteriorated credit quality, was \$237 million, compared to what would have been recognized at the original contractual terms of the loans of \$308 million.

Additional information on impaired loans for the years ended December 31 follows:

(Dollars in Millions)	Average Recorded Investment	Interest Income Recognized
2016		
Commercial	\$ 799	\$ 9
Commercial real estate	324	15
Residential mortgages	2,422	124
Credit card	214	4
Other retail	293	13
Total loans, excluding GNMA and covered loans	4,052	165
Loans purchased from GNMA mortgage pools	1,620	71
Covered loans	38	1
Total	\$ 5,710	\$ 237
2015		
Commercial	\$ 383	\$ 13
Commercial real estate	433	16
Residential mortgages	2,666	131
Credit card	221	4
Other retail	336	14
Total loans, excluding GNMA and covered loans	4,039	178
Loans purchased from GNMA mortgage pools	2,079	95
Covered loans	42	1
Total	\$ 6,160	\$ 274
2014		
Commercial	\$ 414	\$ 9
Commercial real estate	592	26
Residential mortgages	2,742	140
Credit card	273	9
Other retail	377	17
Total loans, excluding GNMA and covered loans	4,398	201
Loans purchased from GNMA mortgage pools	2,609	124
Covered loans	334	15
Total	\$ 7,341	\$ 340

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. The following table provides a summary of loans modified as TDRs for the years ended December 31, by portfolio class:

(Dollars in Millions)	Number of Loans	Pre-Modification Outstanding Loan Balance	Post-Modification Outstanding Loan Balance
2016			
Commercial	2,352	\$ 844	\$ 699
Commercial real estate	102	259	256
Residential mortgages	1,576	168	178
Credit card	31,394	151	153
Other retail	2,235	41	40
Total loans, excluding GNMA and covered loans	37,659	1,463	1,326
Loans purchased from GNMA mortgage pools	11,260	1,274	1,267
Covered loans	39	6	7
Total loans	48,958	\$ 2,743	\$ 2,600
2015			
Commercial	1,607	\$ 385	\$ 396
Commercial real estate	108	78	76
Residential mortgages	2,080	260	258
Credit card	26,772	133	134
Other retail	2,530	54	54
Total loans, excluding GNMA and covered loans	33,097	910	918
Loans purchased from GNMA mortgage pools	8,199	864	862
Covered loans	16	5	5
Total loans	41,312	\$ 1,779	\$ 1,785
2014			
Commercial	2,027	\$ 238	\$ 203
Commercial real estate	78	80	71
Residential mortgages	2,089	271	274
Credit card	26,511	144	145
Other retail	2,833	61	61
Total loans, excluding GNMA and covered loans	33,538	794	754
Loans purchased from GNMA mortgage pools	8,961	1,000	1,013
Covered loans	43	15	14
Total loans	42,542	\$ 1,809	\$ 1,781

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 fourth

quarter of 2016, at December 31, 2016, 106 residential mortgages, 6 home equity and second mortgage loans and 1,366 loans purchased from GNMA mortgage pools with outstanding balances of \$11 million, less than \$1 million and \$179 million, respectively, were in a trial period and have estimated post-modification balances of \$13 million, less than \$1 million and \$175 million, respectively, assuming permanent modification occurs at the end of the trial period.

The following table provides a summary of TDR loans that defaulted (fully or partially charged-off or became 90 days or more past due) for the years ended December 31, that were modified as TDRs within 12 months previous to default:

(Dollars in Millions)	Number of Loans	Amount Defaulted
2016		
Commercial	531	\$ 24
Commercial real estate	27	12
Residential mortgages	132	17
Credit card	6,827	30
Other retail	434	9
Total loans, excluding GNMA and covered loans	7,951	92
Loans purchased from GNMA mortgage pools	202	25
Covered loans	4	1
Total loans	8,157	\$ 118
2015		
Commercial	494	\$ 21
Commercial real estate	18	8
Residential mortgages	273	36
Credit card	6,286	29
Other retail	636	12
Total loans, excluding GNMA and covered loans	7,707	106
Loans purchased from GNMA mortgage pools	598	75
Covered loans	5	1
Total loans	8,310	\$ 182
2014		
Commercial	629	\$ 44
Commercial real estate	22	12
Residential mortgages	611	86
Credit card	6,335	33
Other retail	845	24
Total loans, excluding GNMA and covered loans	8,442	199
Loans purchased from GNMA mortgage pools	876	102
Covered loans	14	5
Total loans	9,332	\$ 306

In addition to the defaults in the table above, the Company had a total of 1,697 residential mortgage loans, home equity and second mortgage loans and loans purchased from GNMA mortgage pools for the year ended December 31, 2016, 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 \$230 million for year ended December 31, 2016.

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 at December 31, consisted of purchased impaired loans, purchased nonimpaired loans and other assets as shown in the following table:

(Dollars in Millions)	2016				2015			
	Purchased Impaired Loans	Purchased Nonimpaired Loans	Other	Total	Purchased Impaired Loans	Purchased Nonimpaired Loans	Other	Total
Residential mortgage loans	\$ 2,248	\$ 506	\$ —	\$ 2,754	\$ 2,502	\$ 615	\$ —	\$ 3,117
Other retail loans	—	278	—	278	—	447	—	447
Losses reimbursable by the FDIC (a)	—	—	381	381	—	—	517	517
Unamortized changes in FDIC asset (b)	—	—	423	423	—	—	515	515
Covered loans	2,248	784	804	3,836	2,502	1,062	1,032	4,596
Foreclosed real estate	—	—	26	26	—	—	32	32
Total covered assets	\$ 2,248	\$ 784	\$ 830	\$ 3,862	\$ 2,502	\$ 1,062	\$ 1,064	\$ 4,628

(a) Relates to loss sharing agreements with remaining terms up to three years.

(b) 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 6 Leases

The components of the net investment in sales-type and direct financing leases at December 31 were as follows:

(Dollars in Millions)	2016	2015
Aggregate future minimum lease payments to be received	\$ 11,257	\$ 10,257
Unguaranteed residual values accruing to the lessor's benefit	1,175	766
Unearned income	(1,023)	(887)
Initial direct costs	237	204
Total net investment in sales-type and direct financing leases (a)	\$ 11,646	\$ 10,340

(a) The accumulated allowance for uncollectible minimum lease payments was \$83 million and \$66 million at December 31, 2016 and 2015, respectively.

The minimum future lease payments to be received from sales-type and direct financing leases were as follows at December 31, 2016:

(Dollars in Millions)	
2017	\$ 3,836
2018	2,884
2019	2,641
2020	1,116
2021	375
Thereafter	405

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 22.

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 MSRs, refer to Note 9. 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.

Effective January 1, 2016, the Company adopted accounting guidance, issued by the FASB in February 2015, relating to the analysis required by organizations to evaluate whether they should consolidate certain legal entities. The adoption of this guidance did not have a material impact on the Company's financial statements, and specifically excludes registered money market funds from the consolidation analysis. The Company provides financial support primarily through the use of waivers of management fees associated with various registered money market funds it manages, which are excluded from the consolidation analysis. The Company provided \$45 million, \$112 million and \$119 million of support to the funds during the years ended December 31, 2016, 2015 and 2014, respectively.

The Company is involved in various entities that are considered to be 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 \$698 million, \$733 million and \$773 million for the years ended December 31, 2016, 2015 and 2014, respectively. The Company also recognized \$1.4 billion, \$1.2 billion and \$937 million of investment tax credits for the years ended December 31, 2016, 2015 and 2014, respectively. The Company recognized \$672 million, \$698 million and \$771 million of expenses related to all of these investments for the years ended December 31, 2016, 2015 and 2014, of which \$251 million, \$261 million and \$258 million, respectively, was included in tax expense and the remainder was 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:

At December 31 (Dollars in Millions)	2016	2015
Investment carrying amount	\$ 5,009	\$5,257
Unfunded capital and other commitments	2,477	2,499
Maximum exposure to loss	10,373	9,436

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 \$28 million at December 31, 2016, compared with \$32 million at December 31, 2015. The maximum exposure to loss related to these VIEs was \$50 million at December 31, 2016 and \$47 million at December 31, 2015, 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 \$40 million at December 31, 2016, compared with less than \$1 million to \$46 million at December 31, 2015.

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 December 31, 2016, approximately \$3.5 billion of the Company's assets and \$2.6 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 \$3.0 billion and \$2.2 billion, respectively, at December 31, 2015. 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 December 31, 2016, \$24 million of the held-to-maturity investment securities on the Company's Consolidated Balance Sheet were related to the conduit, compared with \$28 million at December 31, 2015.

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 credit, liquidity and remarketing arrangements to the program. As a result, the Company has consolidated the program's entities. At December 31, 2016, \$1.1 billion of available-for-sale investment securities and \$1.1 billion of short-term borrowings on the Consolidated Balance Sheet were related to the tender option bond program, compared with \$2.3 billion of available-for-sale investment securities and \$2.2 billion of short-term borrowings at December 31, 2015.

NOTE 8 Premises and Equipment

Premises and equipment at December 31 consisted of the following:

(Dollars in Millions)	2016	2015
Land	\$ 516	\$ 522
Buildings and improvements	3,383	3,348
Furniture, fixtures and equipment	2,798	2,721
Capitalized building and equipment leases	125	113
Construction in progress	29	19
	6,851	6,723
Less accumulated depreciation and amortization	(4,408)	(4,210)
Total	\$ 2,443	\$ 2,513

NOTE 9 Mortgage Servicing Rights

The Company serviced \$232.6 billion of residential mortgage loans for others at December 31, 2016, and \$231.8 billion at December 31, 2015, which include subserviced mortgages with no corresponding MSR asset. The net impact included in mortgage banking revenue of fair value changes of MSRs due to changes in valuation assumptions and derivatives used to economically hedge MSRs were net gains of \$7 million,

\$23 million and \$241 million (of which \$44 million related to excess servicing rights sold during 2014) for the years ended December 31, 2016, 2015 and 2014, respectively. Loan servicing and ancillary fees, not including valuation changes, included in mortgage banking revenue, were \$750 million, \$728 million and \$732 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Changes in fair value of capitalized MSR for the years ended December 31, are summarized as follows:

(Dollars in Millions)	2016	2015	2014
Balance at beginning of period	\$2,512	\$2,338	\$2,680
Rights purchased	43	29	5
Rights capitalized	524	632	382
Rights sold	—	—	(141)
Changes in fair value of MSRs			
Due to fluctuations in market interest rates (a)	(55)	(58)	(276)
Due to revised assumptions or models (b)	19	10	86
Other changes in fair value (c)	(452)	(439)	(398)
Balance at end of period	\$2,591	\$2,512	\$2,338

(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 or discount rate, as well as the impact of any model changes. 2014 includes a \$44 million revaluation gain related to excess servicing rights sold.

(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 MSRs portfolio and the related derivative instruments as of December 31 follows:

(Dollars in Millions)	2016						2015					
	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	\$ (476)	\$ (209)	\$ (98)	\$ 85	\$ 159	\$ 270	\$ (598)	\$ (250)	\$ (114)	\$ 96	\$ 176	\$ 344
Derivative instrument hedges	375	180	88	(84)	(165)	(314)	475	226	107	(98)	(192)	(377)
Net sensitivity	\$ (101)	\$ (29)	\$ (10)	\$ 1	\$ (6)	\$ (44)	\$ (123)	\$ (24)	\$ (7)	\$ (2)	\$ (16)	\$ (33)

The fair value of MSRs 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 division specializes in servicing loans made under state and local housing authority programs. These programs provide mortgages to low-income and moderate-income borrowers and are generally government-insured programs with a favorable rate subsidy, down payment and/or closing cost assistance.

A summary of the Company's MSRs and related characteristics by portfolio as of December 31 follows:

(Dollars in Millions)	2016				2015			
	HFA	Government	Conventional (c)	Total	HFA	Government	Conventional (c)	Total
Servicing portfolio (a)	\$34,746	\$ 37,530	\$ 157,771	\$230,047	\$26,492	\$ 40,350	\$ 162,533	\$229,375
Fair value	\$ 398	\$ 422	\$ 1,771	\$ 2,591	\$ 297	\$ 443	\$ 1,772	\$ 2,512
Value (bps) (b)	115	112	112	113	112	110	109	110
Weighted-average servicing fees (bps)	36	34	27	30	36	34	27	29
Multiple (value/servicing fees)	3.19	3.29	4.15	3.77	3.11	3.24	4.04	3.79
Weighted-average note rate	4.37%	3.95%	4.02%	4.06%	4.46%	4.08%	4.09%	4.13%
Weighted-average age (in years)	2.9	3.8	3.8	3.7	3.1	3.6	3.4	3.4
Weighted-average expected prepayment (constant prepayment rate)	9.4%	11.3%	9.8%	10.0%	12.8%	13.9%	10.4%	11.3%
Weighted-average expected life (in years)	8.0	6.8	6.9	7.0	6.1	5.7	6.6	6.4
Weighted-average option adjusted spread or discount rate (d)	9.9%	9.2%	7.2%	8.0%	11.8%	11.2%	9.4%	10.0%

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

(b) Value is 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 MSRs. Prior to December 31, 2016 the Company valued MSRs using a static discount rate.

Intangible

Intangible assets consisted of the following:

At December 31 (Dollars in Millions)	Estimated Life (a)	Amortization Method (b)	Balance	
			2016	2015
Goodwill		(c)	\$ 9,344	\$ 9,361
Merchant processing contracts	7 years/8 years	SL/AC	108	135
Core deposit benefits	22 years/5 years	SL/AC	161	194
Mortgage servicing rights		(c)	2,591	2,512
Trust relationships	10 years/6 years	SL/AC	59	75
Other identified intangibles	8 years/4 years	SL/AC	384	434
Total			\$12,647	\$12,711

(a) Estimated life represents the amortization period for assets subject to the straight line method and the weighted average or life of the underlying cash flows amortization period for intangibles subject to accelerated methods. If more than one amortization method is used for a category, the estimated life for each method is calculated and reported separately.

(b) Amortization methods:

SL = straight line method

AC = accelerated methods generally based on cash flows

(c) Goodwill is evaluated for impairment, but not amortized. Mortgage servicing rights are recorded at fair value, and are not amortized.

Aggregate amortization expense consisted of the following:

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Merchant processing contracts	\$ 28	\$ 35	\$ 50
Core deposit benefits	34	40	38
Trust relationships	16	21	27
Other identified intangibles	101	78	84
Total	\$179	\$174	\$199

The estimated amortization expense for the next five years is as follows:

(Dollars in Millions)

2017	\$ 171
2018	138
2019	109
2020	86
2021	65

The following table reflects the changes in the carrying value of goodwill for the years ended December 31, 2016, 2015 and 2014:

(Dollars in Millions)	Wholesale Banking and Commercial Real Estate	Consumer and Small Business Banking	Wealth Management and Securities Services	Payment Services	Treasury and Corporate Support	Consolidated Company
Balance at December 31, 2013	\$ 1,605	\$ 3,514	\$ 1,565	\$ 2,521	\$ —	\$ 9,205
Goodwill acquired	43	166	8	—	—	217
Foreign exchange translation and other	—	—	(3)	(30)	—	(33)
Balance at December 31, 2014	\$ 1,648	\$ 3,680	\$ 1,570	\$ 2,491	\$ —	\$ 9,389
Foreign exchange translation and other	(1)	1	(3)	(25)	—	(28)
Balance at December 31, 2015	\$ 1,647	\$ 3,681	\$ 1,567	\$ 2,466	\$ —	\$ 9,361
Foreign exchange translation and other	—	—	(1)	(16)	—	(17)
Balance at December 31, 2016	\$ 1,647	\$ 3,681	\$ 1,566	\$ 2,450	\$ —	\$ 9,344

NOTE 11 Deposits

The composition of deposits at December 31 was as follows:

(Dollars in Millions)	2016	2015
Noninterest-bearing deposits	\$ 86,097	\$ 83,766
Interest-bearing deposits		
Interest checking	66,298	59,169
Money market savings	109,947	86,159
Savings accounts	41,783	38,468
Time deposits	30,465	32,838
Total interest-bearing deposits	248,493	216,634
Total deposits	\$334,590	\$300,400

The maturities of time deposits outstanding at December 31, 2016 were as follows:

(Dollars in Millions)	
2017	\$23,428
2018	3,019
2019	1,601
2020	1,267
2021	1,147
Thereafter	3
Total	\$30,465

NOTE 12 Short-Term Borrowings (a)

The following table is a summary of short-term borrowings for the last three years:

(Dollars in Millions)	2016		2015		2014	
	Amount	Rate	Amount	Rate	Amount	Rate
At year-end						
Federal funds purchased	\$ 447	.30%	\$ 647	.23%	\$ 886	.12%
Securities sold under agreements to repurchase	801	.12	1,092	.02	948	.05
Commercial paper	10,010	.30	22,022	.21	22,197	.12
Other short-term borrowings	2,705	1.00	4,116	.69	5,862	.51
Total	\$13,963	.43%	\$27,877	.27%	\$29,893	.19%
Average for the year						
Federal funds purchased (b)	\$ 1,015	17.17%	\$ 1,169	15.05%	\$ 2,366	7.94%
Securities sold under agreements to repurchase	891	.18	973	.10	798	1.07
Commercial paper	14,827	.26	21,892	.12	21,227	.12
Other short-term borrowings	3,173	1.67	3,926	1.13	5,861	.78
Total (b)	\$19,906	1.34%	\$27,960	.89%	\$30,252	.88%
Maximum month-end balance						
Federal funds purchased	\$ 2,487		\$ 1,868		\$ 3,258	
Securities sold under agreements to repurchase	1,177		1,124		948	
Commercial paper	21,441		23,101		22,322	
Other short-term borrowings	6,771		7,656		7,417	

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

(b) Average federal funds purchased and total short-term borrowings rates include amounts paid by the Company to certain corporate card customers for paying outstanding noninterest-bearing corporate card balances within certain timeframes per specific agreements. These activities reduce the Company's short-term funding needs, and if they did not occur, the Company would use other funding alternatives, including the use of federal funds purchased. The amount of this compensation expense paid by the Company and included in federal funds purchased and total short-term borrowings rates for 2016, 2015 and 2014 was \$171 million, \$175 million and \$186 million, respectively.

NOTE 13 Long-Term Debt

Long-term debt (debt with original maturities of more than one year) at December 31 consisted of the following:

(Dollars in Millions)	Rate Type	Rate ^(a)	Maturity Date	2016	2015
U.S. Bancorp (Parent Company)					
Subordinated notes	Fixed	2.950%	2022	\$ 1,300	\$ 1,300
	Fixed	3.600%	2024	1,000	1,000
	Fixed	7.500%	2026	199	199
	Fixed	3.100%	2026	1,000	—
Medium-term notes	Fixed	1.650% - 4.125%	2017 - 2026	8,800	7,500
	Floating	1.282% - 1.396%	2018 - 2019	750	750
Junior subordinated debentures	Fixed	3.442%	2016	—	500
Other ^(b)				(4)	204
Subtotal				13,045	11,453
Subsidiaries					
Federal Home Loan Bank advances	Fixed	1.250% - 8.250%	2017 - 2026	10	11
	Floating	.866% - 1.447%	2017 - 2026	8,559	9,081
Bank notes	Fixed	1.350% - 2.800%	2017 - 2025	6,800	5,850
	Floating	.582% - 1.467%	2017 - 2056	3,898	4,928
Other ^(c)				1,011	755
Subtotal				20,278	20,625
Total				\$33,323	\$32,078

^(a)Weighted-average interest rates of medium-term notes, Federal Home Loan Bank advances and bank notes were 2.48 percent, 1.17 percent and 1.57 percent, respectively.

^(b)Includes debt issuance fees and unrealized gains and losses and deferred amounts relating to derivative instruments.

^(c)Includes consolidated community development and tax-advantaged investment VIEs, capitalized lease obligations, debt issuance fees, and unrealized gains and losses and deferred amounts relating to derivative instruments.

The Company has arrangements with the Federal Home Loan Bank and Federal Reserve Bank whereby the Company could have borrowed an additional \$91.4 billion and \$74.9 billion at December 31, 2016 and 2015, respectively, based on collateral available.

Maturities of long-term debt outstanding at December 31, 2016, were:

(Dollars in Millions)	Parent Company	Consolidated
2017	\$ 1,250	\$ 5,461
2018	1,498	7,282
2019	1,503	6,019
2020	—	43
2021	2,195	2,221
Thereafter	6,599	12,297
Total	\$13,045	\$ 33,323

NOTE 14 Shareholders' Equity

At December 31, 2016 and 2015, the Company had authority to issue 4 billion shares of common stock and 50 million shares of preferred stock. The Company had 1.7 billion shares of common

stock outstanding at December 31, 2016 and 2015. The Company had 67 million shares reserved for future issuances, primarily under its stock incentive plans at December 31, 2016.

The number of shares issued and outstanding and the carrying amount of each outstanding series of the Company's preferred stock was as follows:

At December 31 (Dollars in Millions)	2016				2015			
	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 G	43,400	1,085	10	1,075	43,400	1,085	10	1,075
Series H	20,000	500	13	487	20,000	500	13	487
Series I	30,000	750	5	745	30,000	750	5	745
Total preferred stock ^(a)	189,910	\$ 5,686	\$ 185	\$5,501	189,910	\$ 5,686	\$ 185	\$5,501

^(a)The par value of all shares issued and outstanding at December 31, 2016 and 2015, was \$1.00 per share.

During 2015, the Company issued depositary shares representing an ownership interest in 30,000 shares of Series I Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series I Preferred Stock"). The Series I 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 semiannually, in arrears, at a rate per annum equal to 5.125 percent from the date of issuance to, but excluding, January 15, 2021, and thereafter will accrue and be payable quarterly at a floating rate per annum equal to three-month LIBOR plus 3.486 percent. The Series I Preferred Stock is redeemable at the Company's option, in whole or in part, on or after January 15, 2021. The Series I Preferred stock is redeemable at the Company's option, in whole, but not in part, prior to January 15, 2021 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 I Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2013, the Company issued depositary shares representing an ownership interest in 20,000 shares of Series H Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series H Preferred Stock"). The Series H 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 5.15 percent. The Series H Preferred Stock is redeemable at the Company's option, in whole or in part, on or after July 15, 2018. The Series H Preferred stock is redeemable at the Company's option, in whole, but not in part, prior to July 15, 2018 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 H Preferred Stock as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve.

During 2012, the Company issued depositary shares representing an ownership interest in 44,000 shares of Series F Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series F Preferred Stock"), and depositary shares representing an ownership interest in 43,400 shares of Series G Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series G Preferred Stock"). The Series F Preferred Stock and Series G Preferred Stock have 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 6.50 percent from the date of issuance to, but excluding, January 15, 2022, and thereafter at a floating rate per annum equal to three-month LIBOR plus 4.468 percent for the Series F Preferred Stock, and 6.00 percent from the date of issuance to, but excluding, April 15, 2017, and thereafter at a floating rate per annum equal to three-month LIBOR plus 4.86125 percent for the Series G Preferred Stock. Both series are redeemable at the Company's option, in whole or

in part, on or after January 15, 2022, for the Series F Preferred Stock and April 15, 2017, for the Series G Preferred Stock. Both series are redeemable at the Company's option, in whole, but not in part, prior to January 15, 2022, for the Series F Preferred Stock and prior to April 15, 2017, for the Series G Preferred Stock, 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 F Preferred Stock or Series G Preferred Stock, respectively, as Tier 1 capital for purposes of the capital adequacy guidelines of the Federal Reserve Board.

During 2010, the Company issued depositary shares representing an ownership interest in 5,746 shares of Series A Non-Cumulative Perpetual Preferred Stock (the "Series A Preferred Stock") to investors, in exchange for their portion of USB Capital IX Income Trust Securities. During 2011, the Company issued depositary shares representing an ownership interest in 6,764 shares of Series A Preferred Stock to USB Capital IX, thereby settling the stock purchase contract established between the Company and USB Capital IX as part of the 2006 issuance of USB Capital IX Income Trust Securities. The preferred shares were issued to USB Capital IX for the purchase price specified in the stock forward purchase contract. The Series A Preferred Stock has a liquidation preference of \$100,000 per share, 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 the greater of three-month LIBOR plus 1.02 percent or 3.50 percent. The Series A Preferred Stock is redeemable at the Company's option, subject to prior approval by the Federal Reserve Board.

During 2006, the Company issued depositary shares representing an ownership interest in 40,000 shares of Series B Non-Cumulative Perpetual Preferred Stock with a liquidation preference of \$25,000 per share (the "Series B Preferred Stock"). The Series B Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to the greater of three-month LIBOR plus .60 percent, or 3.50 percent. The Series B Preferred Stock is redeemable at the Company's option, subject to the prior approval of the Federal Reserve Board.

During 2016, 2015 and 2014, the Company repurchased shares of its common stock under various authorizations approved by its Board of Directors. As of December 31, 2016, the approximate dollar value of shares that may yet be purchased by the Company under the current Board of Directors approved authorization was \$1.3 billion.

The following table summarizes the Company's common stock repurchased in each of the last three years:

(Dollars and Shares in Millions)	Shares	Value
2016	61	\$2,600
2015	52	2,246
2014	54	2,262

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 for the years ended December 31, is as follows:

(Dollars in Millions)	Unrealized Gains (Losses) on Securities Available-For- Sale	Unrealized Gains (Losses) on 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
2016						
Balance at beginning of period	\$ 111	\$ 36	\$ (67)	\$ (1,056)	\$ (43)	\$ (1,019)
Changes in unrealized gains and losses	(858)	—	74	(255)	—	(1,039)
Other-than-temporary impairment not recognized in earnings on securities available-for-sale	(1)	—	—	—	—	(1)
Foreign currency translation adjustment (a)	—	—	—	—	(28)	(28)
Reclassification to earnings of realized gains and losses	(22)	(18)	124	163	—	247
Applicable income taxes	339	7	(76)	35	—	305
Balance at end of period	\$ (431)	\$ 25	\$ 55	\$ (1,113)	\$ (71)	\$ (1,535)
2015						
Balance at beginning of period	\$ 392	\$ 52	\$ (172)	\$ (1,106)	\$ (62)	\$ (896)
Changes in unrealized gains and losses	(457)	—	(25)	(142)	—	(624)
Foreign currency translation adjustment (a)	—	—	—	—	20	20
Reclassification to earnings of realized gains and losses	—	(25)	195	223	—	393
Applicable income taxes	176	9	(65)	(31)	(1)	88
Balance at end of period	\$ 111	\$ 36	\$ (67)	\$ (1,056)	\$ (43)	\$ (1,019)
2014						
Balance at beginning of period	\$ (77)	\$ 70	\$ (261)	\$ (743)	\$ (60)	\$ (1,071)
Changes in unrealized gains and losses	764	—	(41)	(733)	—	(10)
Other-than-temporary impairment not recognized in earnings on securities available-for-sale	1	—	—	—	—	1
Foreign currency translation adjustment (a)	—	—	—	—	(4)	(4)
Reclassification to earnings of realized gains and losses	(3)	(30)	186	144	—	297
Applicable income taxes	(293)	12	(56)	226	2	(109)
Balance at end of period	\$ 392	\$ 52	\$ (172)	\$ (1,106)	\$ (62)	\$ (896)

(a) Represents the impact of changes in foreign currency exchange rates on the Company's net 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 for the years ended December 31, is as follows:

(Dollars in Millions)	Impact to Net Income			Affected Line Item in the Consolidated Statement of Income
	2016	2015	2014	
Unrealized gains (losses) on securities available-for-sale				
Realized gains (losses) on sale of securities	\$ 27	\$ 1	\$ 11	Total securities gains (losses), net
Other-than-temporary impairment recognized in earnings	(5)	(1)	(8)	
	22	—	3	Total before tax
	(9)	—	(1)	Applicable income taxes
	13	—	2	Net-of-tax
Unrealized gains (losses) on securities transferred from available-for-sale to held-to-maturity				
Amortization of unrealized gains	18	25	30	Interest income
	(7)	(9)	(12)	Applicable income taxes
	11	16	18	Net-of-tax
Unrealized gains (losses) on derivative hedges				
Realized gains (losses) on derivative hedges	(124)	(195)	(186)	Net interest income
	48	75	71	Applicable income taxes
	(76)	(120)	(115)	Net-of-tax
Unrealized gains (losses) on retirement plans				
Actuarial gains (losses), prior service cost (credit) and transition obligation (asset) amortization	(163)	(223)	(144)	Employee benefits expense
	63	85	56	Applicable income taxes
	(100)	(138)	(88)	Net-of-tax
Total impact to net income	\$ (152)	\$ (242)	\$ (183)	

Regulatory Capital The Company uses certain measures defined by bank regulatory agencies to assess its capital. Beginning January 1, 2014, the regulatory capital requirements effective for the Company follow Basel III, subject to certain transition provisions from Basel I over the following four years to full implementation by January 1, 2018. Basel III 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.

Tier 1 capital is considered core capital and includes common shareholders' equity adjusted for the aggregate impact of certain items included in other comprehensive income (loss) ("common equity tier 1 capital"), plus qualifying preferred stock, trust preferred securities and noncontrolling interests in consolidated subsidiaries subject to certain limitations. Total risk-based capital

includes Tier 1 capital and other items such as subordinated debt and the allowance for credit losses. Capital measures are stated as a percentage of risk-weighted assets, which are measured based on their perceived credit and operational risks and include certain off-balance sheet exposures, such as unfunded loan commitments, letters of credit, and derivative contracts. Under the standardized approach, the Company is also subject to a leverage ratio requirement, a non risk-based asset ratio, which is defined as Tier 1 capital as a percentage of average assets adjusted for goodwill and other non-qualifying intangibles and other assets.

For a summary of the regulatory capital requirements and the actual ratios as of December 31, 2016 and 2015, for the Company and its bank subsidiary, see Table 23 included in Management's Discussion and Analysis, which is incorporated by reference into these Notes to Consolidated Financial Statements.

The following table provides the components of the Company's regulatory capital at December 31:

(Dollars in Millions)

	2016	2015
Basel III transitional standardized approach:		
Common shareholders' equity	\$ 41,797	\$ 40,630
Less intangible assets		
Goodwill (net of deferred tax liability)	(8,203)	(8,295)
Other disallowed intangible assets	(427)	(335)
Other (a)	553	612
Total common equity tier 1 capital	33,720	32,612
Qualifying preferred stock	5,501	5,501
Noncontrolling interests eligible for tier 1 capital	203	318
Other	(3)	—
Total tier 1 capital	39,421	38,431
Eligible portion of allowance for credit losses	4,357	4,255
Subordinated debt and noncontrolling interests eligible for tier 2 capital	3,576	2,616
Other	1	11
Total tier 2 capital	7,934	6,882
Total risk-based capital	\$ 47,355	\$ 45,313
Risk-weighted assets	\$358,237	\$341,360
Basel III transitional advanced approaches:		
Common shareholders' equity	\$ 41,797	\$ 40,630
Less intangible assets		
Goodwill (net of deferred tax liability)	(8,203)	(8,295)
Other disallowed intangible assets	(427)	(335)
Other (a)	553	612
Total common equity tier 1 capital	33,720	32,612
Qualifying preferred stock	5,501	5,501
Noncontrolling interests eligible for tier 1 capital	203	318
Other	(3)	—
Total tier 1 capital	39,421	38,431
Eligible portion of allowance for credit losses	1,266	1,204
Subordinated debt and noncontrolling interests eligible for tier 2 capital	3,576	2,616
Other	1	11
Total tier 2 capital	4,843	3,831
Total risk-based capital	\$ 44,264	\$ 42,262
Risk-weighted assets	\$277,141	\$261,668

(a) Includes the impact of items included in other comprehensive income (loss), such as unrealized gains (losses) on available-for-sale securities, accumulated net gains on cash flow hedges, pension liability adjustments, etc.

Noncontrolling interests principally represent third party investors' interests in consolidated entities, including preferred stock of consolidated subsidiaries. During 2006, the Company's banking subsidiary formed USB Realty Corp., a real estate investment trust, for the purpose of issuing 5,000 shares of Fixed-to-Floating Rate Exchangeable Non-cumulative Perpetual Series A Preferred Stock with a liquidation preference of \$100,000 per share ("Series A Preferred Securities") to third party investors. Dividends on the Series A Preferred Securities, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to three-month LIBOR plus 1.147 percent. If USB Realty Corp. has not declared a dividend on the Series A Preferred Securities before the dividend payment date for any dividend period, such dividend shall not be cumulative and shall

cease to accrue and be payable, and USB Realty Corp. will have no obligation to pay dividends accrued for such dividend period, whether or not dividends on the Series A Preferred Securities are declared for any future dividend period.

The Series A Preferred Securities will be redeemable, in whole or in part, at the option of USB Realty Corp. on each fifth anniversary after the dividend payment date occurring in January 2012. Any redemption will be subject to the approval of the Office of the Comptroller of the Currency. During 2016, the Company purchased 500 shares of the Series A Preferred Securities held by third party investors at an amount below their carrying amount, recording a net gain of \$9 million directly to retained earnings. As of December 31, 2016, 4,500 shares of the Series A Preferred Securities remain outstanding.

NOTE 15 Earnings Per Share

The components of earnings per share were:

Year Ended December 31

(Dollars and Shares in Millions, Except Per Share Data)

	2016	2015	2014
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851
Preferred dividends	(281)	(247)	(243)
Impact of the purchase of noncontrolling interests ^(a)	9	—	—
Earnings allocated to participating stock awards	(27)	(24)	(25)
Net income applicable to U.S. Bancorp common shareholders	\$ 5,589	\$ 5,608	\$ 5,583
Average common shares outstanding	1,718	1,764	1,803
Net effect of the exercise and assumed purchase of stock awards	6	8	10
Average diluted common shares outstanding	1,724	1,772	1,813
Earnings per common share	\$ 3.25	\$ 3.18	\$ 3.10
Diluted earnings per common share	\$ 3.24	\$ 3.16	\$ 3.08

(a) Represents the difference between the carrying amount and amount paid by the Company to purchase third party investor holdings of the preferred stock of USB Realty Corp, a consolidated subsidiary of the Company.

Options outstanding at December 31, 2016 and 2015 to purchase 1 million common shares, respectively, were not included in the computation of diluted earnings per share for the

years ended December 31, 2016 and 2015, respectively, because they were antidilutive.

NOTE 16 Employee Benefits

Employee Retirement Savings Plan The Company has a defined contribution retirement savings plan that covers substantially all its employees. Qualified employees are allowed to contribute up to 75 percent of their annual compensation, subject to Internal Revenue Service limits, through salary deductions under Section 401(k) of the Internal Revenue Code. Employee contributions are invested at their direction among a variety of investment alternatives. Employee contributions are 100 percent matched by the Company, up to four percent of each employee's eligible annual compensation. The Company's matching contribution vests immediately and is invested in the same manner as each employee's future contribution elections. Total expense for the Company's matching contributions was \$142 million, \$131 million and \$122 million in 2016, 2015 and 2014, respectively.

Pension Plans The Company has a tax qualified noncontributory defined benefit pension plan that provides benefits to substantially all its employees. Participants receive annual cash balance pay credits based on eligible pay multiplied by a percentage determined by their age and years of service. Participants also receive an annual interest credit. Employees become vested upon completing three years of vesting service. For participants in the plan before 2010 that elected to stay under their existing formula, pension benefits are provided to eligible employees based on years of service, multiplied by a percentage of their final average pay. Additionally, as a result of plan mergers, a portion of pension benefits may also be provided using a cash balance benefit formula where only interest credits continue to be credited to participants' accounts.

In general, the Company's qualified pension plan's funding objectives include maintaining a funded status sufficient to meet participant benefit obligations over time while reducing long-term

funding requirements and pension costs. The Company has an established process for evaluating the plan, its performance and significant plan assumptions, including the assumed discount rate and the long-term rate of return ("LTROR"). Annually, the Company's Compensation and Human Resources Committee (the "Committee"), assisted by outside consultants, evaluates plan objectives, funding policies and plan investment policies considering its long-term investment time horizon and asset allocation strategies. The process also evaluates significant plan assumptions. Although plan assumptions are established annually, the Company may update its analysis on an interim basis in order to be responsive to significant events that occur during the year, such as plan mergers and amendments.

The Company's funding policy is to contribute amounts to its plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act, plus such additional amounts as the Company determines to be appropriate. The Company made a contribution of \$358 million and \$414 million to its qualified pension plan in 2016 and 2015, respectively, and expects to contribute \$185 million in 2017. Any contributions made to the qualified plan are invested in accordance with established investment policies and asset allocation strategies.

In addition to the funded qualified pension plan, the Company maintains a non-qualified plan that is unfunded and provides benefits to certain employees. The assumptions used in computing the accumulated benefit obligation, the projected benefit obligation and net pension expense are substantially consistent with those assumptions used for the funded qualified plan. In 2017, the Company expects to contribute \$22 million to its non-qualified pension plan which equals the 2017 expected benefit payments.

Postretirement Welfare Plan In addition to providing pension benefits, the Company provides health care and death benefits to certain former employees who retired prior to January 1, 2014.

Employees retiring after December 31, 2013, are not eligible for retiree health care benefits. The Company expects to contribute \$6 million to its postretirement welfare plan in 2017.

The following table summarizes the changes in benefit obligations and plan assets for the years ended December 31, and the funded status and amounts recognized in the Consolidated Balance Sheet at December 31 for the retirement plans:

(Dollars in Millions)	Pension Plans		Postretirement Welfare Plan	
	2016	2015	2016	2015
Change In Projected Benefit Obligation				
Benefit obligation at beginning of measurement period	\$ 4,650	\$ 4,612	\$ 93	\$ 104
Service cost	177	188	—	—
Interest cost	211	195	3	3
Participants' contributions	—	—	10	10
Actuarial loss (gain)	234	(176)	(14)	(5)
Lump sum settlements	(61)	(37)	—	—
Benefit payments	(138)	(132)	(19)	(21)
Federal subsidy on benefits paid	—	—	2	2
Benefit obligation at end of measurement period ^(a)	\$ 5,073	\$ 4,650	\$ 75	\$ 93
Change In Fair Value Of Plan Assets				
Fair value at beginning of measurement period	\$ 3,355	\$ 3,187	\$ 82	\$ 85
Actual return on plan assets	230	(99)	2	—
Employer contributions	383	436	7	8
Participants' contributions	—	—	10	10
Lump sum settlements	(61)	(37)	—	—
Benefit payments	(138)	(132)	(19)	(21)
Fair value at end of measurement period	\$ 3,769	\$ 3,355	\$ 82	\$ 82
Funded (Unfunded) Status	\$ (1,304)	\$ (1,295)	\$ 7	\$ (11)
Components Of The Consolidated Balance Sheet				
Noncurrent benefit asset	\$ —	\$ —	\$ 7	\$ —
Current benefit liability	(22)	(21)	—	—
Noncurrent benefit liability	(1,282)	(1,274)	—	(11)
Recognized amount	\$ (1,304)	\$ (1,295)	\$ 7	\$ (11)
Accumulated Other Comprehensive Income (Loss), Pretax				
Net actuarial gain (loss)	\$ (1,901)	\$ (1,806)	\$ 66	\$ 55
Net prior service credit (cost)	2	7	25	28
Recognized amount	\$ (1,899)	\$ (1,799)	\$ 91	\$ 83

(a) At December 31, 2016 and 2015, the accumulated benefit obligation for all pension plans was \$4.6 billion and \$4.3 billion.

The following table provides information for pension plans with benefit obligations in excess of plan assets at December 31:

(Dollars in Millions)	2016	2015
Pension Plans with Projected Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	\$ 5,073	\$ 4,650
Fair value of plan assets	3,769	3,355
Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets		
Projected benefit obligation	\$ 5,073	\$ 4,650
Accumulated benefit obligation	4,625	4,310
Fair value of plan assets	3,769	3,355

The following table sets forth the components of net periodic benefit cost and other amounts recognized in accumulated other comprehensive income (loss) for the years ended December 31 for the retirement plans:

(Dollars in Millions)	Pension Plans			Postretirement Welfare Plan		
	2016	2015	2014	2016	2015	2014
Components Of Net Periodic Benefit Cost						
Service cost	\$ 177	\$ 188	\$ 152	\$ —	\$ —	\$ —
Interest cost	211	195	197	3	3	3
Expected return on plan assets	(266)	(223)	(208)	(1)	(1)	(1)
Prior service cost (credit) and transition obligation (asset) amortization	(5)	(4)	(5)	(3)	(3)	(3)
Actuarial loss (gain) amortization	175	234	158	(4)	(4)	(6)
Net periodic benefit cost	\$ 292	\$ 390	\$ 294	\$ (5)	\$ (5)	\$ (7)
Other Changes In Plan Assets And Benefit Obligations						
Recognized In Other Comprehensive Income (Loss)						
Net actuarial gain (loss) arising during the year	\$ (270)	\$ (146)	\$ (719)	\$ 15	\$ 4	\$ (14)
Net actuarial loss (gain) amortized during the year	175	234	158	(4)	(4)	(6)
Net prior service cost (credit) and transition obligation (asset) amortized during the year	(5)	(4)	(5)	(3)	(3)	(3)
Total recognized in other comprehensive income (loss)	\$ (100)	\$ 84	\$ (566)	\$ 8	\$ (3)	\$ (23)
Total recognized in net periodic benefit cost and other comprehensive income (loss) (a)(b)	\$ (392)	\$ (306)	\$ (860)	\$ 13	\$ 2	\$ (16)

(a) The pretax estimated actuarial loss (gain) and prior service cost (credit) for the pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2017 are \$127 million and \$(2) million, respectively.

(b) The pretax estimated actuarial loss (gain) and prior service cost (credit) for the postretirement welfare plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost in 2017 are \$(6) million and \$(3) million, respectively.

The following table sets forth weighted average assumptions used to determine the projected benefit obligations at December 31:

(Dollars in Millions)	Pension Plans		Postretirement Welfare Plan	
	2016	2015	2016	2015
Discount rate (a)	4.27%	4.45%	3.57%	3.59%
Rate of compensation increase (b)	3.58	4.06	*	*
Health care cost trend rate for the next year (c)			7.00%	6.50%
Effect on accumulated postretirement benefit obligation				
One percent increase			\$ 4	\$ 5
One percent decrease			(4)	(5)

(a) The discount rates were developed using a cash flow matching bond model with a modified duration for the qualified pension plan, non-qualified pension plan and postretirement welfare plan of 15.5, 12.1, and 6.2 years, respectively, for 2016, and 15.0, 11.9 and 6.3 years, respectively, for 2015.

(b) Determined on an active liability-weighted basis.

(c) The 2016 and 2015 rates are assumed to decrease gradually to 5.00 percent by 2025 and 2019, respectively, and remain at this level thereafter.

* Not applicable

The following table sets forth weighted average assumptions used to determine net periodic benefit cost for the years ended December 31:

(Dollars in Millions)	Pension Plans			Postretirement Welfare Plan		
	2016	2015	2014	2016	2015	2014
Discount rate (a)	4.45%	4.13%	4.97%	3.59%	3.46%	3.93%
Expected return on plan assets (b)	7.50	7.50	7.50	1.50	1.50	1.50
Rate of compensation increase (c)	4.06	4.07	4.02	*	*	*
Health care cost trend rate (d)						
Prior to age 65				6.50%	7.00%	7.50%
After age 65				6.50	7.00	7.50
Effect on total of service cost and interest cost						
One percent increase				\$ —	\$ —	\$ —
One percent decrease				—	—	—

(a) The discount rates were developed using a cash flow matching bond model with a modified duration for the qualified pension plan, non-qualified pension plan and postretirement welfare plan of 15.0, 11.9, and 6.3 years, respectively, for 2016, and 15.9, 12.4 and 6.8 years, respectively, for 2015.

(b) With the help of an independent pension consultant, the Company considers several sources when developing its expected long-term rates of return on plan assets assumptions, including, but not limited to, past returns and estimates of future returns given the plans' asset allocation, economic conditions, and peer group LTROR information. The Company determines its expected long-term rates of return reflecting current economic conditions and plan assets.

(c) Determined on an active liability weighted basis.

(d) The pre-65 and post-65 rates are both assumed to decrease gradually to 5.00 percent by 2019 and remain at that level thereafter.

* Not applicable

Investment Policies and Asset Allocation In establishing its investment policies and asset allocation strategies, the Company considers expected returns and the volatility associated with different strategies. An independent consultant performs modeling that projects numerous outcomes using a broad range of possible scenarios, including a mix of possible rates of inflation and economic growth. Starting with current economic information, the model bases its projections on past relationships between inflation, fixed income rates and equity returns when these types of economic conditions have existed over the previous 30 years, both in the United States and in foreign countries. Estimated future returns and other actuarially determined adjustments are also considered in calculating the estimated return on assets.

Generally, based on historical performance of the various investment asset classes, investments in equities have outperformed other investment classes but are subject to higher volatility. In an effort to minimize volatility, while recognizing the long-term up-side potential of investing in equities, the Committee has determined that a target asset allocation of 43 percent global equities, 30 percent debt securities, 7 percent domestic mid-small cap equities, 5 percent emerging markets equities, 5 percent real estate equities, 5 percent hedge funds and 5 percent private equity funds is appropriate.

At December 31, 2016 and 2015, plan assets of the qualified pension plan included an asset management arrangement with a related party totaling \$48 million and \$63 million, respectively.

In accordance with authoritative accounting guidance, the Company groups plan assets into a three-level hierarchy for valuation techniques used to measure their fair value based on whether the valuation inputs are observable or unobservable. Refer to Note 21 for further discussion on these levels.

The assets of the qualified pension plan include investments in equity and U.S. Treasury securities whose fair values are determined based on quoted prices in active markets and are classified within Level 1 of the fair value hierarchy. The qualified pension plan also invests in U.S. agency, corporate and municipal debt securities, which are all valued based on observable market prices or data by third party pricing services, and mutual funds which are valued based on quoted net asset values provided by the trustee of the fund; these assets are classified as Level 2. Additionally, the qualified pension plan invests in certain assets that are valued based on net asset values as a practical expedient, including investments in collective investment funds, hedge funds, and private equity funds; the net asset values are provided by the fund trustee or administrator and are not classified in the fair value hierarchy.

The following table summarizes plan investment assets measured at fair value at December 31:

(Dollars in Millions)	Qualified Pension Plan								Postretirement Welfare Plan	
	2016				2015				2016	2015
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 1
Cash and cash equivalents	\$ 49	\$ —	\$ —	\$ 49	\$ 64	\$ —	\$ —	\$ 64	\$ 82	\$ 82
Debt securities	362	577	—	939	361	465	—	826	—	—
Corporate stock										
Domestic equity securities	—	—	—	—	178	—	—	178	—	—
Mid-small cap equity securities (a)	—	—	—	—	146	—	—	146	—	—
International equity securities	—	—	—	—	123	—	—	123	—	—
Real estate equity securities (b)	169	—	—	169	163	—	—	163	—	—
Mutual funds										
Debt securities	—	164	—	164	—	197	—	197	—	—
Emerging markets equity securities	—	155	—	155	—	81	—	81	—	—
Other	—	—	1	1	—	—	1	1	—	—
	\$ 580	\$ 896	\$ 1	1,477	\$ 1,035	\$ 743	\$ 1	1,779	82	82
Plan investment assets not classified in fair value hierarchy (e) :										
Collective investment funds										
Domestic equity securities				977				679		
Mid-small cap equity securities (c)				303				68		
Emerging markets equity securities				—				75		
International equity securities				725				533		
Hedge funds (d)				188				171		
Private equity funds				99				50		
Total plan investment assets at fair value				\$3,769				\$3,355	\$ 82	\$ 82

(a) At December 31, 2015, securities included \$139 million in domestic equities and \$7 million in international equities.

(b) At December 31, 2016 and 2015, securities included \$98 million and \$90 million in domestic equities, respectively, and \$71 million and \$73 million in international equities, respectively.

(c) At December 31, 2016, securities included \$303 million in domestic equities. At December 31, 2015, securities included \$30 million in domestic equities, \$20 million in international equities and \$18 million in cash and cash equivalents.

(d) This category consists of several investment strategies diversified across several hedge fund managers.

(e) These investments are valued based on net asset value per share as a practical expedient; fair values are provided to reconcile to total investment assets of the plans at fair value.

The following table summarizes the changes in fair value for qualified pension plan investment assets measured at fair value using significant unobservable inputs (Level 3) for the years ended December 31:

(Dollars in Millions)	2016	2015	2014
Balance at beginning of period	\$ 1	\$ 2	\$ 4
Unrealized gains (losses) relating to assets still held at end of year	—	(1)	(2)
Balance at end of period	\$ 1	\$ 1	\$ 2

The following benefit payments are expected to be paid from the retirement plans for the years ended December 31:

(Dollars in Millions)	Pension Plans	Postretirement Welfare Plan (a)	Medicare Part D Subsidy Receipts
2017	\$ 191	\$ 10	\$ 2
2018	202	10	2
2019	215	10	2
2020	230	9	2
2021	244	9	2
2022 – 2026	1,448	33	5

(a) Net of expected retiree contributions and before Medicare Part D subsidy.

NOTE 17 Stock-Based Compensation

As part of its employee and director compensation programs, the Company currently may grant certain stock awards under the provisions of its stock incentive plan. The plan provides for grants of options to purchase shares of common stock at a fixed price equal to the fair value of the underlying stock at the date of grant. Option grants are generally exercisable up to ten years from the date of grant. In addition, the plan provides for grants of shares of common stock or stock units that are subject to restriction on transfer prior to vesting. Most stock and unit awards vest over

three to five years and are subject to forfeiture if certain vesting requirements are not met. Stock incentive plans of acquired companies are generally terminated at the merger closing dates. Participants under such plans receive the Company's common stock, or options to buy the Company's common stock, based on the conversion terms of the various merger agreements. At December 31, 2016, there were 41 million shares (subject to adjustment for forfeitures) available for grant under the Company's stock incentive plan.

Stock Option Awards

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

Year Ended December 31	Stock Options/Shares	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
2016				
Number outstanding at beginning of period	25,725,708	\$ 29.82		
Granted	1,644,288	39.50		
Exercised	(10,163,668)	31.09		
Cancelled (a)	(147,087)	35.18		
Number outstanding at end of period (b)	17,059,241	\$ 29.95	4.1	\$ 365
Exercisable at end of period	13,856,142	\$ 27.53	3.1	\$ 330
2015				
Number outstanding at beginning of period	33,649,198	\$ 29.31		
Granted	1,122,697	44.28		
Exercised	(8,721,834)	29.59		
Cancelled (a)	(324,353)	32.93		
Number outstanding at end of period (b)	25,725,708	\$ 29.82	3.6	\$ 331
Exercisable at end of period	22,446,095	\$ 28.68	3.0	\$ 314
2014				
Number outstanding at beginning of period	46,724,765	\$ 29.12		
Granted	1,246,451	40.32		
Exercised	(13,851,590)	29.59		
Cancelled (a)	(470,428)	31.12		
Number outstanding at end of period (b)	33,649,198	\$ 29.31	4.0	\$ 526
Exercisable at end of period	28,923,260	\$ 28.79	3.4	\$ 467

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

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

Stock-based compensation expense is based on the estimated fair value of the award at the date of grant or modification. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model, requiring the use of subjective assumptions. Because employee stock options have characteristics that differ from those of traded options, including vesting provisions and trading limitations that impact

their liquidity, the determined value used to measure compensation expense may vary from the actual fair value of the employee stock options. The following table includes the weighted-average estimated fair value of stock options granted and the assumptions utilized by the Company for newly issued grants:

Year Ended December 31	2016	2015	2014
Estimated fair value	\$ 10.28	\$ 12.23	\$ 11.38
Risk-free interest rates	1.3%	1.7%	1.7%
Dividend yield	2.6%	2.6%	2.6%
Stock volatility factor	.36	.37	.38
Expected life of options (in years)	5.5	5.5	5.5

Expected stock volatility is based on several factors including the historical volatility of the Company's common stock, implied volatility determined from traded options and other factors. The Company uses historical data to estimate option exercises and employee terminations to estimate the expected life of options.

The risk-free interest rate for the expected life of the options is based on the U.S. Treasury yield curve in effect on the date of grant. The expected dividend yield is based on the Company's expected dividend yield over the life of the options.

The following summarizes certain stock option activity of the Company:

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Fair value of options vested	\$ 18	\$ 25	\$ 33
Intrinsic value of options exercised	138	130	171
Cash received from options exercised	316	257	408
Tax benefit realized from options exercised	53	50	66

To satisfy option exercises, the Company predominantly uses treasury stock.

Additional information regarding stock options outstanding as of December 31, 2016, is as follows:

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$11.02 – \$15.00	1,997,288	2.1	\$ 11.14	1,997,288	\$ 11.14
\$15.01 – \$20.00	156,573	.9	19.63	156,573	19.63
\$20.01 – \$25.00	1,611,033	3.1	23.85	1,611,033	23.85
\$25.01 – \$30.00	4,282,283	4.4	28.28	4,282,283	28.28
\$30.01 – \$35.00	4,929,704	2.0	32.45	4,688,105	32.37
\$35.01 – \$40.00	1,956,643	7.6	38.93	340,870	36.25
\$40.01 – \$44.32	2,125,717	7.6	42.32	779,990	41.67
Total	17,059,241	4.1	\$ 29.95	13,856,142	\$ 27.53

Restricted Stock and Unit Awards

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

Year Ended December 31	2016		2015		2014	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	6,894,831	\$ 38.44	7,921,571	\$ 34.09	8,653,859	\$ 29.96
Granted	4,879,421	39.65	2,897,396	44.24	3,133,168	40.37
Vested	(3,069,035)	37.25	(3,428,736)	33.27	(3,409,650)	29.38
Cancelled	(439,710)	40.18	(495,400)	38.66	(455,806)	34.05
Outstanding at end of period	8,265,507	\$ 39.50	6,894,831	\$ 38.44	7,921,571	\$ 34.09

The total fair value of shares vested was \$128 million, \$152 million and \$139 million for the years ended December 31, 2016, 2015 and 2014, respectively. Stock-based compensation expense was \$150 million, \$125 million and \$125 million for the years ended December 31, 2016, 2015 and 2014, respectively. On an after-tax basis, stock-based compensation was \$93 million, \$78 million and \$78 million for the years ended

December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, there was \$199 million of total unrecognized compensation cost related to nonvested share-based arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 2.6 years as compensation expense.

NOTE 18 Income Taxes

The components of income tax expense were:

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Federal			
Current	\$ 2,585	\$ 1,956	\$ 1,888
Deferred	(711)	(223)	(126)
Federal income tax	1,874	1,733	1,762
State			
Current	337	346	331
Deferred	(50)	18	(6)
State income tax	287	364	325
Total income tax provision	\$ 2,161	\$ 2,097	\$ 2,087

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

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Tax at statutory rate	\$ 2,837	\$ 2,810	\$ 2,798
State income tax, at statutory rates, net of federal tax benefit	244	237	211
Tax effect of			
Tax credits and benefits, net of related expenses	(710)	(700)	(701)
Tax-exempt income	(196)	(201)	(205)
Noncontrolling interests	(20)	(19)	(20)
Other items	6	(30) (a)	4
Applicable income taxes	\$ 2,161	\$ 2,097	\$ 2,087

(a) Includes the resolution of certain tax matters with taxing authorities in the first quarter of 2015.

The tax effects of fair value adjustments on securities available-for-sale, derivative instruments in cash flow hedges, foreign currency translation adjustments, pension and post-retirement plans and certain tax benefits related to share-based compensation are recorded directly to shareholders' equity as part of other comprehensive income (loss) or additional paid-in capital.

In preparing its tax returns, the Company is required to interpret complex tax laws and regulations and utilize income and cost allocation methods to determine its taxable income. On an ongoing basis, the Company is subject to examinations by

federal, state, local and foreign taxing authorities that may give rise to differing interpretations of these complex laws, regulations and methods. Due to the nature of the examination process, it generally takes years before these examinations are completed and matters are resolved. Federal tax examinations for all years ending through December 31, 2010, are completed and resolved. The Company's tax returns for the years ended December 31, 2011, 2012, 2013 and 2014 are under examination by the Internal Revenue Service. The years open to examination by state and local government authorities vary by jurisdiction.

A reconciliation of the changes in the federal, state and foreign unrecognized tax position balances are summarized as follows

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Balance at beginning of period	\$ 243	\$ 267	\$ 264
Additions (reductions) for tax positions taken in prior years	57	(17)	31
Additions for tax positions taken in the current year	12	13	4
Exam resolutions	(6)	(17)	(22)
Statute expirations	(4)	(3)	(10)
Balance at end of period	\$ 302	\$ 243	\$ 267

The total amount of unrecognized tax positions that, if recognized, would impact the effective income tax rate as of December 31, 2016, 2015 and 2014, were \$234 million, \$165 million and \$192 million, respectively. The Company classifies interest and penalties related to unrecognized tax positions as a component of income tax expense. At December 31, 2016, the

Company's unrecognized tax position balance included \$37 million in accrued interest. During the years ended December 31, 2016, 2015 and 2014 the Company recorded approximately \$7 million, \$(1) million and \$4 million, respectively, in interest on unrecognized tax positions.

Deferred income tax assets and liabilities reflect the tax effect of estimated temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes

and the amounts used for the same items for income tax reporting purposes.

The significant components of the Company's net deferred tax asset (liability) follows:

At December 31 (Dollars in Millions)	2016	2015
Deferred Tax Assets		
Allowance for credit losses	\$ 1,667	\$ 1,615
Federal, state and foreign net operating loss and credit carryforwards	971	464
Accrued expenses	806	764
Partnerships and other investment assets	521	380
Pension and postretirement benefits	394	247
Securities available-for-sale and financial instruments	220	—
Stock compensation	120	131
Other deferred tax assets, net	291	219
Gross deferred tax assets	4,990	3,820
Deferred Tax Liabilities		
Leasing activities	(3,096)	(3,026)
Goodwill and other intangible assets	(962)	(859)
Mortgage servicing rights	(883)	(859)
Loans	(234)	(204)
Fixed assets	(60)	(111)
Securities available-for-sale and financial instruments	—	(47)
Other deferred tax liabilities, net	(113)	(55)
Gross deferred tax liabilities	(5,348)	(5,161)
Valuation allowance	(121)	(137)
Net Deferred Tax Asset (Liability)	\$ (479)	\$ (1,478)

The Company has approximately \$1.3 billion of federal, state and foreign net operating loss carryforwards which expire at various times through 2036. A substantial portion of these carryforwards relate to state-only net operating losses, which are subject to a full valuation allowance as they are not expected to be realized within the carryforward period. Management has determined it is more likely than not the other net deferred tax assets could be realized through carry back to taxable income in prior years, future reversals of existing taxable temporary differences and future taxable income.

In addition, the Company has \$794 million of federal credit carryforwards which expire at various times through 2036 which

are not subject to a valuation allowance as management believes that it is more likely than not that the credits will be utilized within the carryforward period.

At December 31, 2016, retained earnings included approximately \$102 million of base year reserves of acquired thrift institutions, for which no deferred federal income tax liability has been recognized. These base year reserves would be recaptured if certain subsidiaries of the Company cease to qualify as a bank for federal income tax purposes. The base year reserves also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, stockholders.

NOTE 19 Instruments Derivative

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. All fair value hedges were highly effective for the year ended December 31, 2016, and the change in fair value attributed to hedge ineffectiveness was not material.

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 December 31, 2016, the Company had \$55 million (net-of-tax) of realized and unrealized gains on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with \$67 million (net-of-tax) of realized and unrealized losses at December 31, 2015. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the next 12 months is a loss of \$20 million (net-of-tax). 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 year ended December 31, 2016, and the change in fair value attributed to hedge ineffectiveness was not material.

Net Investment Hedges The Company uses forward commitments to sell specified amounts of certain foreign currencies, and occasionally non-derivative debt instruments, to hedge the volatility of its net investment in foreign operations driven by fluctuations in foreign currency exchange rates. The ineffectiveness on all net investment hedges was not material for the year ended December 31, 2016. There were no non-derivative debt instruments designated as net investment hedges at December 31, 2016 or 2015.

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 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 commitments to originate MLHFS and swap agreements related to the sale of a portion of its Class B common shares of Visa Inc. Refer to Note 21 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:

(Dollars in Millions)	Asset Derivatives			Liability Derivatives		
	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
December 31, 2016						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 2,550	\$ 49	4.28	\$ 1,250	\$ 12	2.32
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	3,272	108	8.63	2,787	35	.83
Net investment hedges						
Foreign exchange forward contracts	1,347	15	.04	—	—	—
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	1,748	13	.09	1,722	18	.05
Sell	2,278	129	.08	4,214	43	.09
Options						
Purchased	1,565	43	8.60	—	—	—
Written	1,073	25	.07	12	1	.06
Receive fixed/pay floating swaps	6,452	26	11.48	1,561	16	6.54
Pay fixed/receive floating swaps	4,705	13	6.51	2,320	9	7.80
Foreign exchange forward contracts	849	6	.02	867	6	.02
Equity contracts	11	—	.40	102	1	.57
Credit contracts	1,397	—	3.38	3,674	2	3.57
Other (a)	19	—	.03	830	106	3.42
Total	\$27,266	\$427		\$19,339	\$249	
December 31, 2015						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 3,050	\$ 73	4.43	\$ —	\$ —	—
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps	1,772	7	9.22	5,009	146	1.13
Net investment hedges						
Foreign exchange forward contracts	1,140	4	.04	—	—	—
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	3,812	17	.07	452	1	.06
Sell	3,201	12	.09	2,559	7	.12
Options						
Purchased	2,935	—	.06	—	—	—
Written	3,199	29	.10	5	1	.08
Receive fixed/pay floating swaps	3,733	42	9.98	4,748	18	10.18
Pay fixed/receive floating swaps	287	2	9.82	4,158	35	9.97
Foreign exchange forward contracts	3,023	13	.01	2,380	10	.03
Equity contracts	62	—	.47	24	1	.82
Credit contracts	1,192	2	2.58	2,821	3	2.99
Other (a)	36	—	.04	662	64	2.60
Total	\$27,442	\$201		\$22,818	\$286	

(a) Includes short-term underwriting purchase and sale commitments with total asset and liability notional values of \$19 million and \$36 million at December 31, 2016 and 2015, respectively, and 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 \$811 million, \$106 million and 3.50 years at December 31, 2016, respectively, compared to \$626 million, \$64 million and 2.75 years at December 31, 2015, respectively.

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

(Dollars in Millions)	Asset Derivatives			Liability Derivatives		
	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
December 31, 2016						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 38,501	\$ 930	4.07	\$ 39,403	\$ 632	4.89
Pay fixed/receive floating swaps	36,671	612	4.99	40,324	996	4.07
Options						
Purchased	14,545	51	1.85	125	2	1.37
Written	125	3	1.37	13,518	50	1.70
Futures						
Buy	306	—	1.96	7,111	7	.90
Foreign exchange rate contracts						
Forwards, spots and swaps	20,664	849	.58	19,640	825	.60
Options						
Purchased	2,376	98	1.67	—	—	—
Written	—	—	—	2,376	98	1.67
Total	<u>\$ 113,188</u>	<u>\$ 2,543</u>		<u>\$ 122,497</u>	<u>\$ 2,610</u>	
December 31, 2015						
Interest rate contracts						
Receive fixed/pay floating swaps	\$ 32,647	\$ 1,097	5.69	\$ 14,068	\$ 54	4.71
Pay fixed/receive floating swaps	10,685	43	4.55	35,045	1,160	5.74
Options						
Purchased	8,705	10	2.61	146	1	2.23
Written	146	2	2.23	8,482	9	2.57
Futures						
Buy	—	—	—	2,859	2	.84
Sell	45	—	.97	—	—	—
Foreign exchange rate contracts						
Forwards, spots and swaps	18,399	851	.59	17,959	830	.58
Options						
Purchased	1,485	43	1.19	—	—	—
Written	—	—	—	1,485	43	1.19
Total	<u>\$ 72,112</u>	<u>\$ 2,046</u>		<u>\$ 80,044</u>	<u>\$ 2,099</u>	

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) for the years ended December 31:

(Dollars in Millions)	Gains (Losses) Recognized in Other Comprehensive Income (Loss)			Gains (Losses) Reclassified from Other Comprehensive Income (Loss) into Earnings		
	2016	2015	2014	2016	2015	2014
Asset and Liability Management Positions						
Cash flow hedges						
Interest rate contracts (a)	\$ 46	\$ (15)	\$ (26)	\$ (76)	\$ (120)	\$ (115)
Net investment hedges						
Foreign exchange forward contracts	33	101	130	—	—	—

Note: Ineffectiveness on cash flow and net investment hedges was not material for the years ended December 31, 2016, 2015 and 2014.

(a) Gains (Losses) reclassified from other comprehensive income (loss) into interest income on loans and interest expense on long-term debt.

The table below shows the gains (losses) recognized in earnings for fair value hedges, other economic hedges and the customer-related positions for the years ended December 31:

(Dollars in Millions)	Location of Gains (Losses) Recognized in Earnings	2016	2015	2014
Asset and Liability Management Positions				
Fair value hedges (a)				
Interest rate contracts	Other noninterest income	\$ (31)	\$ 7	\$ 29
Other economic hedges				
Interest rate contracts				
Futures and forwards	Mortgage banking revenue	101	186	(122)
Purchased and written options	Mortgage banking revenue	331	191	287
Receive fixed/pay floating swaps	Mortgage banking revenue	226	139	384
Pay fixed/receive floating swaps	Mortgage banking revenue	(140)	(33)	—
Foreign exchange forward contracts	Commercial products revenue	(14)	108	(29)
Equity contracts	Compensation expense	1	(1)	2
Credit contracts	Other noninterest income	1	2	—
Other	Other noninterest income	(39)	—	(43)
Customer-Related Positions				
Interest rate contracts				
Receive fixed/pay floating swaps	Other noninterest income	(708)	360	686
Pay fixed/receive floating swaps	Other noninterest income	769	(320)	(652)
Purchased and written options	Other noninterest income	(5)	3	—
Futures	Other noninterest income	(6)	1	—
Foreign exchange rate contracts				
Forwards, spots and swaps	Commercial products revenue	88	74	66
Purchased and written options	Commercial products revenue	(1)	2	1

(a) Gains (Losses) on items hedged by interest rate contracts included in noninterest income (expense), were \$31 million, \$(7) million and \$(27) million for the years ended December 31, 2016, 2015 and 2014, respectively. The ineffective portion was immaterial for the years ended December 31, 2016, 2015 and 2014.

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 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.

NOTE 20 Activities
Netting Arrangements for Certain Financial
Instruments and Securities Financing

The majority of the Company's derivative portfolio consists of bilateral over-the-counter trades. However, current regulations require that certain interest rate swaps and forwards and credit contracts need to be centrally cleared through clearinghouses. In addition, a portion of the Company's derivative positions are exchange-traded. These are predominately U.S. Treasury futures or options on U.S. Treasury futures. Of the Company's \$282.3 billion total notional amount of derivative positions at December 31, 2016, \$130.3 billion related to those centrally cleared through clearinghouses and \$7.4 billion related to those that were exchange-traded. Irrespective of how derivatives are traded, the Company's derivative contracts 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 19 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

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 certain net liability thresholds and 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 December 31, 2016, was \$563 million. At December 31, 2016, the Company had \$455 million of cash posted as collateral against this net liability position.

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 or residential agency mortgage-backed securities. The securities loaned or borrowed typically are corporate debt securities traded by the Company's broker-dealer. 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. At December 31, 2015, the Company had no outstanding securities loaned transactions.

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	Total
December 31, 2016			
Repurchase agreements			
U.S. Treasury and agencies	\$ 60	\$ —	\$ 60
Residential agency mortgage-backed securities	681	30	711
Corporate debt securities	30	—	30
Total repurchase agreements	771	30	801
Securities loaned			
Corporate debt securities	223	—	223
Total securities loaned	223	—	223
Gross amount of recognized liabilities	\$ 994	\$ 30	\$ 1,024
December 31, 2015			
Repurchase agreements			
U.S. Treasury and agencies	\$ 122	\$ —	\$ 122
Residential agency mortgage-backed securities	802	168	970
Gross amount of recognized liabilities	\$ 924	\$ 168	\$ 1,092

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, excluding centrally cleared derivative contracts due to current uncertainty about the legal enforceability of netting arrangements with the clearinghouses. 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)	
December 31, 2016						
Derivative assets ^(d)	\$ 2,122	\$ (984)	\$ 1,138	\$ (78)	\$ (10)	\$ 1,050
Reverse repurchase agreements	77	—	77	(60)	(17)	—
Securities borrowed	944	—	944	(10)	(909)	25
Total	\$ 3,143	\$ (984)	\$ 2,159	\$ (148)	\$ (936)	\$ 1,075
December 31, 2015						
Derivative assets ^(d)	\$ 1,879	\$ (807)	\$ 1,072	\$ (82)	\$ —	\$ 990
Reverse repurchase agreements	106	—	106	(102)	(4)	—
Securities borrowed	772	—	772	—	(753)	19
Total	\$ 2,757	\$ (807)	\$ 1,950	\$ (184)	\$ (757)	\$ 1,009

^(a)Includes \$210 million and \$165 million of cash collateral related payables that were netted against derivative assets at December 31, 2016 and 2015, 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.

^(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 \$848 million and \$368 million of derivative assets centrally cleared or otherwise not subject to netting arrangements at December 31, 2016 and 2015, respectively.

(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)	
December 31, 2016						
Derivative liabilities ^(d)	\$ 1,951	\$ (1,185)	\$ 766	\$ (78)	\$ —	\$ 688
Repurchase agreements	801	—	801	(60)	(741)	—
Securities loaned	223	—	223	(10)	(211)	2
Total	\$ 2,975	\$ (1,185)	\$ 1,790	\$ (148)	\$ (952)	\$ 690
December 31, 2015						
Derivative liabilities ^(d)	\$ 1,809	\$ (1,283)	\$ 526	\$ (82)	\$ —	\$ 444
Repurchase agreements	1,092	—	1,092	(102)	(990)	—
Total	\$ 2,901	\$ (1,283)	\$ 1,618	\$ (184)	\$ (990)	\$ 444

^(a)Includes \$411 million and \$641 million of cash collateral related receivables that were netted against derivative liabilities at December 31, 2016 and 2015, 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 \$908 million and \$576 million of derivative liabilities centrally cleared or otherwise not subject to netting arrangements at December 31, 2016 and 2015, respectively.

NOTE 21 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, including certain perpetual preferred and corporate debt securities.
- 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, certain debt securities and certain derivative contracts.

When the Company changes its valuation inputs for measuring financial assets and financial liabilities at fair value, either due to changes in current market conditions or other factors, it may need to transfer those assets or liabilities to another level in the hierarchy based on the new inputs used. The Company recognizes these transfers at the end of the reporting period in which the transfers occur. During the years ended December 31, 2016, 2015 and 2014, there were no transfers of financial assets or financial liabilities between the hierarchy levels.

The Company has processes and controls in place to increase the reliability of estimates it makes in determining fair value measurements. Items quoted on an exchange are verified to the quoted price. Items provided by a third party pricing service are subject to price verification procedures as described in more detail in the specific valuation discussions below. For fair

value measurements modeled internally, the Company's valuation models are subject to the Company's Model Risk Governance Policy and Program, as maintained by the Company's risk management department. The purpose of model validation is to assess the accuracy of the models' input, processing, and reporting components. All models are required to be independently reviewed and approved prior to being placed in use, and are subject to formal change control procedures. Under the Company's Model Risk Governance Policy, models are required to be reviewed at least annually to ensure they are operating as intended. Inputs into the models are market observable inputs whenever available. When market observable inputs are not available, the inputs are developed based upon analysis of historical experience and evaluation of other relevant market data. Significant unobservable model inputs are subject to review by senior management in corporate functions, who are independent from the modeling. Significant unobservable model inputs are also compared to actual results, typically on a quarterly basis. Significant Level 3 fair value measurements are also subject to corporate-level review and are benchmarked to market transactions or other market data, when available. Additional discussion of processes and controls are provided in the valuation methodologies section that follows.

The following section describes the valuation methodologies used by the Company to measure financial assets and liabilities at fair value and for estimating fair value for financial instruments not recorded at fair value as required under disclosure guidance related to the fair value of financial instruments. 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 years ended December 31, 2016, 2015 and 2014, there were no significant changes to the valuation techniques used by the Company to measure fair value.

Cash and Due From Banks The carrying value of cash and due from banks approximate fair value and are classified within Level 1. Fair value is provided for disclosure purposes only.

Federal Funds Sold and Securities Purchased Under Resale Agreements The carrying value of federal funds sold and securities purchased under resale agreements approximate fair value because of the relatively short time between the origination of the instrument and its expected realization and are classified within Level 2. Fair value is provided for disclosure purposes only.

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. The Company reviews the valuation methodologies utilized by the pricing service and, on a quarterly basis, reviews the security level prices provided by the pricing service against management's expectation of fair value, based on changes in various benchmarks and market knowledge from recent trading activity. Additionally, each quarter, the Company validates the fair value provided by the pricing services by comparing them to recent observable market trades (where available), broker provided quotes, or other independent secondary pricing sources. Prices obtained from the pricing service are adjusted if they are found to be inconsistent with relevant market data. Level 2 investment securities are predominantly agency mortgage-backed securities, certain other asset-backed securities, obligations of state and political subdivisions, corporate debt securities, agency debt securities and certain perpetual preferred securities.

The fair value of securities for which there are no market trades, or where trading is inactive as compared to normal market activity, are classified within Level 3 of the fair value hierarchy. The Company determines the fair value of these securities by using a discounted cash flow methodology and incorporating observable market information, where available. These valuations are modeled by a unit within the Company's treasury department. The valuations use assumptions regarding housing prices, interest rates and borrower performance. Inputs are refined and updated at least quarterly to reflect market developments and actual performance. The primary valuation drivers of these securities are the prepayment rates, default rates and default severities associated with the underlying collateral, as well as the discount rate used to calculate the present value of the projected cash flows. Level 3 fair values, including the assumptions used, are subject to review by senior management in corporate functions, who are independent from the modeling. The fair value measurements are also compared to fair values provided by third party pricing services and broker provided quotes, where available. Securities classified within Level 3 include non-agency mortgage-backed securities, non-agency commercial mortgage-backed securities, certain asset-backed securities and certain corporate 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 were net gains of \$33 million, \$27 million and \$185 million for the years ended December 31, 2016, 2015 and 2014, 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.

Loans The loan portfolio includes adjustable and fixed-rate loans, the fair value of which is estimated using discounted cash flow analyses and other valuation techniques. The expected cash flows of loans consider historical prepayment experiences and estimated credit losses and are discounted using current rates offered to borrowers with similar credit characteristics. Generally, loan fair values reflect Level 3 information. Fair value is provided for disclosure purposes only, with the exception of impaired collateral-based loans that are measured at fair value on a non-recurring basis utilizing the underlying collateral fair value.

Mortgage Servicing Rights MSR's are valued using a discounted cash flow methodology, and are classified within Level 3. The Company determines fair value of the MSR's 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. The MSR valuations, as well as the assumptions used, are developed by the mortgage banking division and are subject to review by senior management in corporate functions, who are independent from the modeling. The MSR valuations and assumptions are validated through comparison to trade information when available, publicly available data and industry surveys and are also compared to independent third party valuations each quarter. Risks inherent in MSR valuation include higher than expected prepayment rates and/or delayed receipt of cash flows. There is minimal observable market activity for MSR's on comparable portfolios and, therefore, the determination of fair value requires significant management judgment. Refer to Note 9 for further information on MSR valuation assumptions.

Derivatives The majority of derivatives held by the Company are executed over-the-counter 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. In addition, 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 credit valuation adjustments for nonperformance

risk are determined by the Company's treasury department using credit assumptions provided by the risk management department. The credit assumptions are compared to actual results quarterly and are recalibrated as appropriate.

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, both of which are developed by the Company's mortgage banking division. The closed loan percentages for the mortgage loan commitments are monitored on an on-going basis, as these percentages are also used for the Company's economic hedging activities. The inherent MSR value for the commitments are generated by the same models used for the Company's MSR's and thus are subject to the same processes and controls as described for the MSR's above. 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 related litigation contingencies, and the associated escrow funding. The fair value of the Visa swaps are calculated by the Company's corporate development department using a discounted cash flow methodology which includes unobservable inputs about the timing and settlement amounts related to the resolution of certain Visa related litigation. 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 22 for further information on the Visa restructuring and related card association litigation.

Other Financial Instruments Other financial instruments include cost method equity investments and certain community development and tax-advantaged related assets and liabilities. The majority of the Company's cost method equity investments are in Federal Home Loan Bank and Federal Reserve Bank stock, for which the carrying amounts approximate fair value and are classified within Level 2. Investments in other equity and limited partnership funds are estimated using fund provided net asset values. These equity investments are classified within Level 3. The community development and tax-advantaged related asset balances primarily represent the underlying assets of consolidated community development and tax-advantaged entities. The community development and tax-advantaged related liabilities represent the underlying liabilities of the consolidated

entities (included in long-term debt) and liabilities related to other third party interests (included in other liabilities). The carrying value of the community development and tax-advantaged related asset and other liability balances are a reasonable estimate of fair value and are classified within Level 3. Refer to Note 7 for further information on community development and tax-advantaged related assets and liabilities. Fair value is provided for disclosure purposes only.

Deposit Liabilities The fair value of demand deposits, savings accounts and certain money market deposits is equal to the amount payable on demand. The fair value of fixed-rate certificates of deposit was estimated by discounting the contractual cash flow using current market rates. Deposit liabilities are classified within Level 2. Fair value is provided for disclosure purposes only.

Short-term Borrowings Federal funds purchased, securities sold under agreements to repurchase, commercial paper and other short-term funds borrowed have floating rates or short-term maturities. The fair value of short-term borrowings was determined by discounting contractual cash flows using current market rates. Short-term borrowings are classified within Level 2. Included in short-term borrowings is the Company's obligation on securities sold short, which is required to be accounted for at fair value per applicable accounting guidance. Fair value for other short-term borrowings is provided for disclosure purposes only.

Long-term Debt The fair value for most long-term debt was determined by discounting contractual cash flows using current market rates. Junior subordinated debt instruments were valued using market quotes. Long-term debt is classified within Level 2. Fair value is provided for disclosure purposes only.

Loan Commitments, Letters of Credit and Guarantees The fair value of commitments, letters of credit and guarantees represents the estimated costs to terminate or otherwise settle the obligations with a third party. Other loan commitments, letters of credit and guarantees are not actively traded, and the Company estimates their fair value based on the related amount of unamortized deferred commitment fees adjusted for the probable losses for these arrangements. These arrangements are classified within Level 3. Fair value is provided for disclosure purposes only.

Significant Unobservable Inputs of Level 3 Assets and Liabilities

The following section provides information on the significant inputs used by the Company to determine the fair value measurements of Level 3 assets and liabilities recorded at fair value on the Consolidated Balance Sheet. In addition, the following section includes a discussion of the sensitivity of the fair value measurements to changes in the significant inputs and a description of any interrelationships between these inputs for Level 3 assets and liabilities recorded at fair value on a recurring basis. 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.

Available-For-Sale Investment Securities The significant unobservable inputs used in the fair value measurement of the Company's modeled Level 3 available-for-sale investment securities are prepayment rates, probability of default and loss severities associated with the underlying collateral, as well as the discount margin used to calculate the present value of the projected cash flows. Increases in prepayment rates for Level 3 securities will typically result in higher fair values, as increased prepayment rates accelerate the receipt of expected cash flows and reduce exposure to credit losses. Increases in the probability of default and loss severities will result in lower fair values, as these increases reduce expected cash flows. Discount margin is the Company's estimate of the current market spread above the respective benchmark rate. Higher discount margin will result in lower fair values, as it reduces the present value of the expected cash flows.

Prepayment rates generally move in the opposite direction of market interest rates. In the current environment, an increase in the probability of default will generally be accompanied with an increase in loss severity, as both are impacted by underlying collateral values. Discount margins are influenced by market expectations about the security's collateral performance and, therefore, may directionally move with probability and severity of default; however, discount margins are also impacted by broader market forces, such as competing investment yields, sector liquidity, economic news, and other macroeconomic factors.

The following table shows the significant valuation assumption ranges for Level 3 available-for-sale investment securities at December 31, 2016:

	Minimum	Maximum	Average
Residential Prime Non-Agency Mortgage-Backed Securities (a)			
Estimated lifetime prepayment rates	6%	19%	14%
Lifetime probability of default rates	—	6	4
Lifetime loss severity rates	15	65	35
Discount margin	2	7	3
Residential Non-Prime Non-Agency Mortgage-Backed Securities (b)			
Estimated lifetime prepayment rates	3%	16%	9%
Lifetime probability of default rates	4	12	7
Lifetime loss severity rates	15	80	49
Discount margin	1	10	4

(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.

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 result in a significantly lower fair value measurement. Significant

decreases in either of these inputs in isolation would result 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 December 31, 2016:

	Minimum	Maximum	Average
Expected prepayment	6%	18%	10%
Option adjusted spread	7	10	8

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 result in a larger

derivative asset or liability. A significant increase in the inherent MSR value would result 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 December 31, 2016:

	Minimum	Maximum	Average
Expected loan close rate	33%	100%	80%
Inherent MSR value (basis points per loan)	(34)	203	113

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 result in a lower fair value measurement. A significant decrease in the credit valuation adjustment would result 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 December 31, 2016, the minimum, maximum and average credit valuation adjustment as a percentage of the derivative contract fair value prior to adjustment was 0 percent, 96 percent and 3 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 result in an increase in the derivative liability. A decrease in the loss estimate or an acceleration of the resolution of the related litigation would result in a decrease in the derivative liability.

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
December 31, 2016					
Available-for-sale securities					
U.S. Treasury and agencies	\$ 16,355	\$ 772	\$ —	\$ —	\$ 17,127
Mortgage-backed securities					
Residential					
Agency	—	43,138	—	—	43,138
Non-agency					
Prime (a)	—	—	242	—	242
Non-prime (b)	—	—	195	—	195
Commercial					
Agency	—	15	—	—	15
Asset-backed securities					
Other	—	481	2	—	483
Obligations of state and political subdivisions	—	5,039	—	—	5,039
Corporate debt securities	—	—	9	—	9
Other investments	36	—	—	—	36
Total available-for-sale	16,391	49,445	448	—	66,284
Mortgage loans held for sale	—	4,822	—	—	4,822
Mortgage servicing rights	—	—	2,591	—	2,591
Derivative assets	—	2,416	554	(984)	1,986
Other assets	183	1,137	—	—	1,320
Total	\$ 16,574	\$ 57,820	\$ 3,593	\$ (984)	\$ 77,003
Derivative liabilities	\$ 7	\$ 2,469	\$ 383	\$ (1,185)	\$ 1,674
Short-term borrowings and other liabilities (c)	142	938	—	—	1,080
Total	\$ 149	\$ 3,407	\$ 383	\$ (1,185)	\$ 2,754
December 31, 2015					
Available-for-sale securities					
U.S. Treasury and agencies	\$ 3,708	\$ 888	\$ —	\$ —	\$ 4,596
Mortgage-backed securities					
Residential					
Agency	—	50,076	—	—	50,076
Non-agency					
Prime (a)	—	—	318	—	318
Non-prime (b)	—	—	240	—	240
Commercial					
Agency	—	52	—	—	52
Asset-backed securities					
Collateralized debt obligations/Collateralized loan obligations	—	19	—	—	19
Other	—	539	2	—	541
Obligations of state and political subdivisions	—	5,316	—	—	5,316
Corporate debt securities	102	499	9	—	610
Perpetual preferred securities	48	113	—	—	161
Other investments	40	28	—	—	68
Total available-for-sale	3,898	57,530	569	—	61,997
Mortgage loans held for sale	—	3,110	—	—	3,110
Mortgage servicing rights	—	—	2,512	—	2,512
Derivative assets	—	1,632	615	(807)	1,440
Other assets	202	589	—	—	791
Total	\$ 4,100	\$ 62,861	\$ 3,696	\$ (807)	\$ 69,850
Derivative liabilities	\$ 2	\$ 2,266	\$ 117	\$ (1,283)	\$ 1,102
Short-term borrowings (c)	122	645	—	—	767
Total	\$ 124	\$ 2,911	\$ 117	\$ (1,283)	\$ 1,869

(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) 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 years ended December 31:

(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
2016										
Available-for-sale securities										
Mortgage-backed securities										
Residential non-agency										
Prime (a)	\$ 318	\$ (1)	\$ —	\$ —	\$ —	\$ (75)	\$ —	\$ —	\$ 242	\$ —
Non-prime (b)	240	(1)	(2)	—	—	(42)	—	—	195	(2)
Asset-backed securities										
Other	2	—	—	—	—	—	—	—	2	—
Corporate debt securities	9	—	—	—	—	—	—	—	9	—
Total available-for-sale	569	(2) (c)	(2) (f)	—	—	(117)	—	—	448	(2)
Mortgage servicing rights	2,512	(488) (d)	—	43	—	—	524(g)	—	2,591	(488) (d)
Net derivative assets and liabilities	498	332(e)	—	2	(14)	—	—	(647)	171	(257) (h)
2015										
Available-for-sale securities										
Mortgage-backed securities										
Residential non-agency										
Prime (a)	\$ 405	\$ —	\$ (4)	\$ —	\$ —	\$ (83)	\$ —	\$ —	\$ 318	\$ (4)
Non-prime (b)	280	(1)	(1)	—	—	(38)	—	—	240	(1)
Asset-backed securities										
Other	62	4	(2)	—	(51)	(11)	—	—	2	—
Corporate debt securities	9	—	—	—	—	—	—	—	9	—
Total available-for-sale	756	3(i)	(7) (f)	—	(51)	(132)	—	—	569	(5)
Mortgage servicing rights	2,338	(487) (d)	—	29	—	—	632(g)	—	2,512	(487) (d)
Net derivative assets and liabilities	574	707(j)	—	1	(13)	—	—	(771)	498	135(k)
2014										
Available-for-sale securities										
Mortgage-backed securities										
Residential non-agency										
Prime (a)	\$ 478	\$ —	\$ 15	\$ —	\$ —	\$ (88)	\$ —	\$ —	\$ 405	\$ 14
Non-prime (b)	297	(6)	19	—	—	(30)	—	—	280	19
Asset-backed securities										
Other	63	4	—	5	—	(10)	—	—	62	—
Corporate debt securities	9	—	—	—	—	—	—	—	9	—
Total available-for-sale	847	(2) (l)	34(f)	5	—	(128)	—	—	756	33
Mortgage servicing rights	2,680	(588) (d)	—	5	(141)	—	382(g)	—	2,338	(588) (d)
Net derivative assets and liabilities	445	904(m)	—	1	(4)	—	—	(772)	574	188(n)

(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) Approximately \$(3) million included in securities gains (losses) and \$1 million included in interest income.

(d) Included in mortgage banking revenue.

(e) Approximately \$(77) million included in other noninterest income and \$409 million included in mortgage banking revenue.

(f) Included in changes in unrealized gains and losses on securities available-for-sale.

(g) Represents MSR capitalization during the period.

(h) Approximately \$(276) million included in other noninterest income and \$19 million included in mortgage banking revenue.

(i) Included in interest income.

(j) Approximately \$289 million included in other noninterest income and \$418 million included in mortgage banking revenue.

(k) Approximately \$92 million included in other noninterest income and \$43 million included in mortgage banking revenue.

(l) Approximately \$(3) million included in securities gains (losses) and \$1 million included in interest income.

(m) Approximately \$404 million included in other noninterest income and \$500 million included in mortgage banking revenue.

(n) Approximately \$128 million included in other noninterest income and \$60 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 as of December 31:

(Dollars in Millions)	2016				2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans (a)	\$ —	\$ —	\$ 59	\$ 59	\$ —	\$ —	\$ 87	\$ 87
Other assets (b)	—	—	60	60	—	—	66	66

(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 for the years ended December 31:

(Dollars in Millions)	2016	2015	2014
Loans (a)	\$ 192	\$ 175	\$ 108
Other assets (b)	32	42	70

(a) Represents write-downs of student loans held for sale based on non-binding quoted prices received for the portfolio, that were subsequently transferred to loans, and 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 as of December 31:

(Dollars in Millions)	2016			2015		
	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	\$ 4,822	\$ 4,763	\$ 59	\$ 3,110	\$ 3,032	\$ 78
Nonaccrual loans	2	3	(1)	5	7	(2)
Loans 90 days or more past due	1	1	—	—	—	—

Disclosures About Fair Value of Financial Instruments

The following table summarizes the estimated fair value for financial instruments as of December 31, 2016 and 2015, and includes financial instruments that are not accounted for at fair value. 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, insurance contracts and investments accounted for under the equity method are excluded.

The estimated fair values of the Company's financial instruments as of December 31, are shown in the table below:

	2016					2015				
(Dollars in Millions)	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	\$ 15,705	\$15,705	\$ —	\$ —	\$ 15,705	\$ 11,147	\$11,147	\$ —	\$ —	\$ 11,147
Federal funds sold and securities purchased under resale agreements	138	—	138	—	138	169	—	169	—	169
Investment securities held-to-maturity	42,991	4,605	37,810	20	42,435	43,590	2,275	41,138	80	43,493
Loans held for sale (a)	4	—	—	4	4	74	—	—	74	74
Loans	269,394	—	—	273,422	273,422	256,986	—	—	259,823	259,823
Other financial instruments	2,362	—	920	1,449	2,369	2,311	—	921	1,398	2,319
Financial Liabilities										
Deposits	334,590	—	334,361	—	334,361	300,400	—	300,225	—	300,225
Short-term borrowings (b)	12,891	—	12,706	—	12,706	27,110	—	26,782	—	26,782
Long-term debt	33,323	—	33,678	—	33,678	32,078	—	32,412	—	32,412
Other liabilities	1,702	—	—	1,702	1,702	1,353	—	—	1,353	1,353

(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 \$618 million and \$515 million at December 31, 2016 and 2015, respectively. The carrying value of other guarantees was \$186 million and \$184 million at December 31, 2016 and 2015, respectively.

NOTE 22 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. On October 19, 2012, Visa signed a settlement agreement to resolve class action claims associated with the multi-district interchange litigation, the largest of the remaining Visa Litigation matters. The United States District Court for the Eastern District of New York approved the settlement, but that approval was appealed by certain class members. On June 30, 2016, the United States Court of Appeals for the Second Circuit reversed the approval of the settlement and remanded the case to the district court for further proceedings consistent with the appellate ruling. On November 23, 2016, plaintiff merchants filed a petition with the United States Supreme Court asking it to review the Second Circuit's decision to reject the settlement.

At December 31, 2016, the carrying amount of the Company's liability related to the Visa Litigation matters, net of its share of the escrow fundings, was \$19 million. During 2016, the Company sold 1.5 million of its Class B shares. These sales, and any previous sales of its Class B shares, do not impact the Company's liability for the Visa Litigation matters or the receivable related to the escrow account. Upon final settlement of the Visa Litigation, the remaining 4.9 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 21.

Commitments to Extend Credit Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss, in the event of default by the borrower. The Company manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to secure commitments based on management's credit assessment of the borrower. The collateral may include marketable securities, receivables, inventory, equipment and real estate. Since the Company expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Company's future liquidity requirements. In addition, the commitments include consumer credit lines that are cancelable upon notification to the consumer.

The contract or notional amounts of unfunded commitments to extend credit at December 31, 2016, excluding those commitments considered derivatives, were as follows:

(Dollars in Millions)	Term		Total
	Less Than One Year	Greater Than One Year	
Commercial and commercial real estate loans	\$ 26,471	\$ 98,452	\$ 124,923
Corporate and purchasing card loans (a)	25,085	—	25,085
Residential mortgages	379	12	391
Retail credit card loans (a)	101,258	—	101,258
Other retail loans	13,254	22,552	35,806
Covered loans	—	320	320
Other	5,558	18	5,576

(a) Primarily cancelable at the Company's discretion.

Lease Commitments Rental expense for operating leases totaled \$326 million in 2016, \$328 million in 2015 and \$326 million in 2014. Future minimum payments, net of sublease rentals, under capitalized leases and noncancelable operating leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2016:

(Dollars in Millions)	Capitalized Leases	Operating Leases
2017	\$ 17	\$ 270
2018	16	243
2019	14	207
2020	13	166
2021	10	140
Thereafter	41	490
Total minimum lease payments	111	\$ 1,516
Less amount representing interest	39	
Present value of net minimum lease payments	\$ 72	

Other Guarantees and Contingent Liabilities

The following table is a summary of other guarantees and contingent liabilities of the Company at December 31, 2016:

(Dollars in Millions)	Collateral Held	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	\$ —	\$ 61	\$ 11,917
Third party borrowing arrangements	—	—	8
Securities lending indemnifications	3,164	—	3,083
Asset sales	—	138	6,211
Merchant processing	483	48	91,040
Tender option bond program guarantee	1,129	—	1,114
Minimum revenue guarantees	—	—	9
Other	—	—	1,287

Letters of Credit Standby letters of credit are commitments the Company issues to guarantee the performance of a customer to a third party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Company also issues and confirms commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's or counterparty's nonperformance, the Company's credit loss exposure is similar to that in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, receivables, inventory, equipment and real estate. Since the conditions requiring the Company to fund letters of credit may not occur, the Company expects its liquidity requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by the Company under standby letter of credit arrangements at December 31, 2016, were approximately \$11.9 billion with a weighted-average term of approximately 20 months. The estimated fair value of standby letters of credit was approximately \$61 million at December 31, 2016.

The contract or notional amount of letters of credit at December 31, 2016, were as follows:

(Dollars in Millions)	Term		Total
	Less Than One Year	Greater Than One Year	
Standby	\$ 5,552	\$ 6,365	\$ 11,917
Commercial	328	18	346

Guarantees Guarantees are contingent commitments issued by the Company to customers or other third parties. The Company's guarantees primarily include parent guarantees related to subsidiaries' third party borrowing arrangements; third party performance guarantees inherent in the Company's business operations, such as indemnified securities lending programs and merchant charge-back guarantees; and indemnification or buy-back provisions related to certain asset sales. For certain guarantees, the Company has recorded a liability related to the potential obligation, or has access to collateral to support the guarantee or through the exercise of other recourse provisions can offset some or all of the maximum potential future payments made under these guarantees.

Third Party Borrowing Arrangements The Company provides guarantees to third parties as a part of certain subsidiaries' borrowing arrangements. The maximum potential future payments guaranteed by the Company under these arrangements were approximately \$8 million at December 31, 2016.

Commitments from Securities Lending The Company participates in securities lending activities by acting as the customer's agent involving the loan of securities. The Company indemnifies customers for the difference between the fair value of the securities lent and the fair value of the collateral received. Cash collateralizes these transactions. The maximum potential future payments guaranteed by the Company under these arrangements were approximately \$3.1 billion at December 31, 2016, and represent the fair value of the securities lent to third parties. At December 31, 2016, the Company held \$3.2 billion of cash as collateral for these arrangements.

Asset Sales The Company has provided guarantees to certain third parties in connection with the sale or syndication of certain assets, primarily loan portfolios and tax-advantaged investments. These guarantees are generally in the form of asset buy-back or make-whole provisions that are triggered upon a credit event or a change in the tax-qualifying status of the related projects, as applicable, and remain in effect until the loans are collected or final tax credits are realized, respectively. The maximum potential future payments guaranteed by the Company under these arrangements were approximately \$6.2 billion at December 31, 2016, and represented the proceeds received from the buyer or the guaranteed portion in these transactions where the buy-back or make-whole provisions have not yet expired. At December 31, 2016, the Company had reserved \$119 million for potential losses related to the sale or syndication of tax-advantaged investments.

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.

The Company regularly sells loans to GSEs as part of its mortgage banking activities. The Company provides customary representations and warranties to the 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 December 31, 2016, the Company had reserved \$19 million for potential losses from representation and warranty obligations, compared with \$30 million at December 31, 2015. 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 December 31, 2016 and 2015, the Company had \$7 million and \$12 million, respectively, of unresolved representation and warranty claims from the GSEs. The Company does not have a significant amount of unresolved claims from investors other than the GSEs.

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.

A cardholder, through its issuing bank, generally has until the later of up to four months after the date the transaction is processed or the receipt of the product or service to present a charge-back to the Company as the merchant processor. The absolute maximum potential liability is estimated to be the total volume of credit card transactions that meet the associations' requirements to be valid charge-back transactions at any given time. Management estimates that the maximum potential exposure for charge-backs would approximate the total amount of merchant transactions processed through the credit card

associations for the last four months. For the last four months this amount totaled approximately \$91.0 billion. In most cases, this contingent liability is unlikely to arise, as most products and services are delivered when purchased and amounts are refunded when items are returned to merchants. However, where the product or service has been purchased but is not provided until a future date ("future delivery"), the potential for this contingent liability increases. To mitigate this risk, the Company may require the merchant to make an escrow deposit, place maximum volume limitations on future delivery transactions processed by the merchant at any point in time, or require various credit enhancements (including letters of credit and bank guarantees). Also, merchant processing contracts may include event triggers to provide the Company more financial and operational control in the event of financial deterioration of the merchant.

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 tickets 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 December 31, 2016, the value of airline tickets purchased to be delivered at a future date was \$5.7 billion. The Company held collateral of \$375 million in escrow deposits, letters of credit and indemnities from financial institutions, and liens on various assets. With respect to future delivery risk for other merchants, the Company held \$22 million of merchant escrow deposits as collateral. In addition to specific collateral or other credit enhancements, the Company maintains a liability for its implied guarantees associated with future delivery. At December 31, 2016, the liability was \$35 million primarily related to these airline processing arrangements.

In the normal course of business, the Company has unresolved charge-backs. The Company assesses the likelihood of its potential liability based on the extent and nature of unresolved charge-backs and its historical loss experience. At December 31, 2016, the Company held \$86 million of merchant escrow deposits as collateral and had a recorded liability for potential losses of \$13 million.

Tender Option Bond Program Guarantee As discussed in Note 7, the Company sponsors a municipal bond securities tender option bond program and consolidates the program's entities on its Consolidated Balance Sheet. The Company provides financial performance guarantees related to the program's entities. At December 31, 2016, the Company guaranteed \$1.1 billion of borrowings of the program's entities, included on the Consolidated Balance Sheet in short-term borrowings. The Company also included on its Consolidated

Balance Sheet the related \$1.1 billion of available-for-sale investment securities serving as collateral for this arrangement.

Minimum Revenue Guarantees In the normal course of business, the Company may enter into revenue share agreements with third party business partners who generate customer referrals or provide marketing or other services related to the generation of revenue. In certain of these agreements, the Company may guarantee that a minimum amount of revenue share payments will be made to the third party over a specified period of time. At December 31, 2016, the maximum potential future payments required to be made by the Company under these agreements were \$9 million.

Other Guarantees and Commitments As of December 31, 2016, the Company sponsored, and owned 100 percent of the common equity of, USB Capital IX, a wholly-owned unconsolidated trust, formed for the purpose of issuing redeemable Income Trust Securities ("ITS") to third party investors, originally investing the proceeds in junior subordinated debt securities ("Debentures") issued by the Company and entering into stock purchase contracts to purchase the Company's preferred stock in the future. As of December 31, 2016, all of the Debentures issued by the Company have either matured or been retired. Total assets of USB Capital IX were \$682 million at December 31, 2016, consisting primarily of the Company's Series A Preferred Stock. The Company's obligations under the transaction documents, taken together, have the effect of providing a full and unconditional guarantee by the Company, on a junior subordinated basis, of the payment obligations of the trust to third party investors totaling \$681 million at December 31, 2016.

The Company has also made other financial performance guarantees and commitments primarily related to the operations of its subsidiaries. At December 31, 2016, the maximum potential future payments guaranteed or committed by the Company under these arrangements were approximately \$606 million.

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 inherent uncertainties involved 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. Among these lawsuits are actions originally brought in June 2014 by a group of institutional investors, including BlackRock and PIMCO funds, against six bank trustees, including the Company. The actions brought by these institutional investors against the Company are in their early stages and currently are pending in the Supreme Court of the State of New York, New York County, and in the United States District Court for the Southern District of New York. In these lawsuits, the investors allege that the Company's banking subsidiary, U.S. Bank National Association, 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 seek monetary damages in an unspecified amount and also seek equitable relief.

Regulatory Matters The Company is currently subject to examinations, inquiries and investigations by government agencies and bank regulators concerning mortgage-related practices, including those related to compliance with selling guidelines relating to residential home loans sold to GSEs, foreclosure-related expenses submitted to the Federal Housing Administration or GSEs for reimbursement, lender-placed insurance, and notices and filings in bankruptcy cases. The Company is also subject to ongoing examinations, inquiries and investigations by government agencies, bank regulators and law enforcement with respect to Bank Secrecy Act/anti-money laundering compliance program adequacy and effectiveness and sanctions compliance requirements as administered by the Office of Foreign Assets Control. The Company is cooperating with an investigation currently being conducted by the United States Attorney's Office in Manhattan regarding its banking relationship with Scott Tucker, who has been indicted over the operation of an allegedly illegal payday lending business. Tucker, who is challenging his indictment, and his businesses maintained certain deposit accounts with U.S. Bank National Association. The United States Attorney's Office has also requested information on aspects of the Company's Bank Secrecy Act/anti-money laundering compliance program.

The Company is continually subject to examinations, inquiries and investigations in areas of increasing regulatory scrutiny, such as compliance, risk management, third party risk management and consumer protection.

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, the Company entered into a Consent Order with the Office of the Comptroller of the Currency (the "OCC") concerning deficiencies in its Bank Secrecy Act/anti-money laundering compliance program, and requiring an ongoing review of that program. If the Company does not satisfactorily correct the identified deficiencies, it could be required to enter into further orders, pay fines or penalties or further modify its business practices. Some of the compliance program enhancements and other actions required by the Consent Order have already been, or are currently in the process of being, implemented, and are not expected to be material to the Company.

In April 2011, the Company and certain other large financial institutions entered into Consent Orders with the OCC and the Board of Governors of the Federal Reserve System relating to residential mortgage servicing and foreclosure practices. In June 2015, the Company entered into an agreement to amend the 2011 Consent Order it had with the OCC. The OCC terminated the amended Consent Order in February 2016. Depending on the Company's progress toward addressing the requirements of the 2011 Consent Order it has with the Board of Governors of the Federal Reserve System, the Company may be required to enter into further orders and settlements, pay additional fines or penalties, make restitution or further modify the Company's business practices (which may increase the Company's operating expenses and decrease its 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 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.

NOTE 23 U.S. Bancorp (Parent Company)

Condensed Balance Sheet

At December 31 (Dollars in Millions)	2016	2015
Assets		
Due from banks, principally interest-bearing	\$ 7,800	\$ 9,426
Available-for-sale securities	225	352
Investments in bank subsidiaries	44,955	41,708
Investments in nonbank subsidiaries	2,326	2,060
Advances to bank subsidiaries	3,800	3,150
Advances to nonbank subsidiaries	1,265	823
Other assets	1,052	983
Total assets	\$61,423	\$58,502
Liabilities and Shareholders' Equity		
Short-term funds borrowed	\$ 22	\$ 25
Long-term debt	13,045	11,453
Other liabilities	1,058	893
Shareholders' equity	47,298	46,131
Total liabilities and shareholders' equity	\$61,423	\$58,502

Condensed Statement of Income

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Income			
Dividends from bank subsidiaries	\$ 2,100	\$ 3,900	\$ 3,850
Dividends from nonbank subsidiaries	4	3	38
Interest from subsidiaries	140	120	123
Other income	57	55	64
Total income	2,301	4,078	4,075
Expense			
Interest expense	327	292	335
Other expense	123	105	90
Total expense	450	397	425
Income before income taxes and equity in undistributed income of subsidiaries	1,851	3,681	3,650
Applicable income taxes	(97)	(207)	(94)
Income of parent company	1,948	3,888	3,744
Equity in undistributed income of subsidiaries	3,940	1,991	2,107
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851

Condensed Statement of Cash Flows

Year Ended December 31 (Dollars in Millions)	2016	2015	2014
Operating Activities			
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851
Adjustments to reconcile net income to net cash provided by operating activities			
Equity in undistributed income of subsidiaries	(3,940)	(1,991)	(2,107)
Other, net	75	507	48
Net cash provided by operating activities	2,023	4,395	3,792
Investing Activities			
Proceeds from sales and maturities of investment securities	232	153	46
Purchases of investment securities	(120)	(47)	(39)
Net (increase) decrease in short-term advances to subsidiaries	(442)	(273)	984
Long-term advances to subsidiaries	(750)	(500)	(1,800)
Principal collected on long-term advances to subsidiaries	100	—	1,400
Other, net	(12)	(6)	(52)
Net cash (used in) provided by investing activities	(992)	(673)	539
Financing Activities			
Net (decrease) increase in short-term borrowings	(3)	(152)	39
Proceeds from issuance of long-term debt	3,550	—	3,250
Principal payments or redemption of long-term debt	(1,926)	(1,750)	(1,500)
Proceeds from issuance of preferred stock	—	745	—
Proceeds from issuance of common stock	355	295	453
Repurchase of common stock	(2,556)	(2,190)	(2,200)
Cash dividends paid on preferred stock	(267)	(242)	(243)
Cash dividends paid on common stock	(1,810)	(1,777)	(1,726)
Net cash used in financing activities	(2,657)	(5,071)	(1,927)
Change in cash and due from banks	(1,626)	(1,349)	2,404
Cash and due from banks at beginning of year	9,426	10,775	8,371
Cash and due from banks at end of year	\$ 7,800	\$ 9,426	\$ 10,775

Transfer of funds (dividends, loans or advances) from bank subsidiaries to the Company is restricted. Federal law requires loans to the Company or its affiliates to be secured and generally limits loans to the Company or an individual affiliate to 10 percent of each bank's unimpaired capital and surplus. In the aggregate, loans to the Company and all affiliates cannot exceed 20 percent of each bank's unimpaired capital and surplus.

Dividend payments to the Company by its subsidiary bank are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. In general, dividends by the Company's bank subsidiary to the parent company are limited by rules which compare dividends to net income for regulatorily-defined periods. Furthermore, dividends are restricted by minimum capital constraints for all national banks.

NOTE 24 Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2016 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 Balance Sheet — Five Year Summary (Unaudited)

At December 31 (Dollars in Millions)	2016	2015	2014	2013	2012	% Change 2016 v 2015
Assets						
Cash and due from banks	\$ 15,705	\$ 11,147	\$ 10,654	\$ 8,477	\$ 8,252	40.9%
Held-to-maturity securities	42,991	43,590	44,974	38,920	34,389	(1.4)
Available-for-sale securities	66,284	61,997	56,069	40,935	40,139	6.9
Loans held for sale	4,826	3,184	4,792	3,268	7,976	51.6
Loans	273,207	260,849	247,851	235,235	223,329	4.7
Less allowance for loan losses	(3,813)	(3,863)	(4,039)	(4,250)	(4,424)	1.3
Net loans	269,394	256,986	243,812	230,985	218,905	4.8
Other assets	46,764	44,949	42,228	41,436	44,194	4.0
Total assets	\$445,964	\$421,853	\$402,529	\$364,021	\$353,855	5.7
Liabilities and Shareholders' Equity						
Deposits						
Noninterest-bearing	\$ 86,097	\$ 83,766	\$ 77,323	\$ 76,941	\$ 74,172	2.8%
Interest-bearing	248,493	216,634	205,410	185,182	175,011	14.7
Total deposits	334,590	300,400	282,733	262,123	249,183	11.4
Short-term borrowings	13,963	27,877	29,893	27,608	26,302	(49.9)
Long-term debt	33,323	32,078	32,260	20,049	25,516	3.9
Other liabilities	16,155	14,681	13,475	12,434	12,587	10.0
Total liabilities	398,031	375,036	358,361	322,214	313,588	6.1
Total U.S. Bancorp shareholders' equity	47,298	46,131	43,479	41,113	38,998	2.5
Noncontrolling interests	635	686	689	694	1,269	(7.4)
Total equity	47,933	46,817	44,168	41,807	40,267	2.4
Total liabilities and equity	\$445,964	\$421,853	\$402,529	\$364,021	\$353,855	5.7

U.S. Bancorp

Consolidated Statement of Income — Five-Year Summary (Unaudited)

Year Ended December 31 (Dollars in Millions)	2016	2015	2014	2013	2012	% Change 2016 v 2015
Interest Income						
Loans	\$ 10,810	\$ 10,059	\$ 10,113	\$ 10,277	\$ 10,558	7.5%
Loans held for sale	154	206	128	203	282	(25.2)
Investment securities	2,078	2,001	1,866	1,631	1,792	3.8
Other interest income	125	136	121	174	251	(8.1)
Total interest income	13,167	12,402	12,228	12,285	12,883	6.2
Interest Expense						
Deposits	622	457	465	561	691	36.1
Short-term borrowings	263	245	263	353	442	7.3
Long-term debt	754	699	725	767	1,005	7.9
Total interest expense	1,639	1,401	1,453	1,681	2,138	17.0
Net interest income	11,528	11,001	10,775	10,604	10,745	4.8
Provision for credit losses	1,324	1,132	1,229	1,340	1,882	17.0
Net interest income after provision for credit losses	10,204	9,869	9,546	9,264	8,863	3.4
Noninterest Income						
Credit and debit card revenue	1,177	1,070	1,021	965	892	10.0
Corporate payment products revenue	712	708	724	706	744	.6
Merchant processing services	1,592	1,547	1,511	1,458	1,395	2.9
ATM processing services	338	318	321	327	346	6.3
Trust and investment management fees	1,427	1,321	1,252	1,139	1,055	8.0
Deposit service charges	725	702	693	670	653	3.3
Treasury management fees	583	561	545	538	541	3.9
Commercial products revenue	871	867	854	859	878	.5
Mortgage banking revenue	979	906	1,009	1,356	1,937	8.1
Investment products fees	158	185	191	178	150	(14.6)
Securities gains (losses), net	22	—	3	9	(15)	*
Other	993	907	1,040	569	743	9.5
Total noninterest income	9,577	9,092	9,164	8,774	9,319	5.3
Noninterest Expense						
Compensation	5,212	4,812	4,523	4,371	4,320	8.3
Employee benefits	1,119	1,167	1,041	1,140	945	(4.1)
Net occupancy and equipment	988	991	987	949	917	(.3)
Professional services	502	423	414	381	530	18.7
Marketing and business development	435	361	382	357	388	20.5
Technology and communications	955	887	863	848	821	7.7
Postage, printing and supplies	311	297	328	310	304	4.7
Other intangibles	179	174	199	223	274	2.9
Other	1,975	1,819	1,978	1,695	1,957	8.6
Total noninterest expense	11,676	10,931	10,715	10,274	10,456	6.8
Income before income taxes	8,105	8,030	7,995	7,764	7,726	.9
Applicable income taxes	2,161	2,097	2,087	2,032	2,236	3.1
Net income	5,944	5,933	5,908	5,732	5,490	.2
Net (income) loss attributable to noncontrolling interests	(56)	(54)	(57)	104	157	(3.7)
Net income attributable to U.S. Bancorp	\$ 5,888	\$ 5,879	\$ 5,851	\$ 5,836	\$ 5,647	.2
Net income applicable to U.S. Bancorp common shareholders	\$ 5,589	\$ 5,608	\$ 5,583	\$ 5,552	\$ 5,383	(.3)

* Not meaningful

U.S. Bancorp

Quarterly Consolidated Financial Data (Unaudited)

(Dollars in Millions, Except Per Share Data)	2016				2015			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest Income								
Loans	\$ 2,644	\$ 2,664	\$ 2,731	\$ 2,771	\$ 2,493	\$ 2,463	\$ 2,520	\$ 2,583
Loans held for sale	31	36	43	44	41	65	60	40
Investment securities	517	523	515	523	495	505	502	499
Other interest income	29	29	31	36	32	35	35	34
Total interest income	3,221	3,252	3,320	3,374	3,061	3,068	3,117	3,156
Interest Expense								
Deposits	139	152	161	170	118	113	113	113
Short-term borrowings	65	66	70	62	61	62	66	56
Long-term debt	182	189	196	187	184	177	170	168
Total interest expense	386	407	427	419	363	352	349	337
Net interest income	2,835	2,845	2,893	2,955	2,698	2,716	2,768	2,819
Provision for credit losses	330	327	325	342	264	281	282	305
Net interest income after provision for credit losses	2,505	2,518	2,568	2,613	2,434	2,435	2,486	2,514
Noninterest Income								
Credit and debit card revenue	266	296	299	316	241	266	269	294
Corporate payment products revenue	170	181	190	171	170	178	190	170
Merchant processing services	373	403	412	404	359	395	400	393
ATM processing services	80	84	87	87	78	80	81	79
Trust and investment management fees	339	358	362	368	322	334	329	336
Deposit service charges	168	179	192	186	161	174	185	182
Treasury management fees	142	147	147	147	137	142	143	139
Commercial products revenue	197	238	219	217	200	214	231	222
Mortgage banking revenue	187	238	314	240	240	231	224	211
Investment products fees	40	39	41	38	47	48	46	44
Securities gains (losses), net	3	3	10	6	—	—	(1)	1
Other	184	386	172	251	199	210	229	269
Total noninterest income	2,149	2,552	2,445	2,431	2,154	2,272	2,326	2,340
Noninterest Expense								
Compensation	1,249	1,277	1,329	1,357	1,179	1,196	1,225	1,212
Employee benefits	300	278	280	261	317	293	285	272
Net occupancy and equipment	248	243	250	247	247	247	251	246
Professional services	98	121	127	156	77	106	115	125
Marketing and business development	77	149	102	107	70	96	99	96
Technology and communications	233	241	243	238	214	221	222	230
Postage, printing and supplies	79	77	80	75	82	64	77	74
Other intangibles	45	44	45	45	43	43	42	46
Other	420	562	475	518	436	416	459	508
Total noninterest expense	2,749	2,992	2,931	3,004	2,665	2,682	2,775	2,809
Income before income taxes	1,905	2,078	2,082	2,040	1,923	2,025	2,037	2,045
Applicable income taxes	504	542	566	549	479	528	534	556
Net income	1,401	1,536	1,516	1,491	1,444	1,497	1,503	1,489
Net (income) loss attributable to noncontrolling interests	(15)	(14)	(14)	(13)	(13)	(14)	(14)	(13)
Net income attributable to U.S. Bancorp	\$ 1,386	\$ 1,522	\$ 1,502	\$ 1,478	\$ 1,431	\$ 1,483	\$ 1,489	\$ 1,476
Net income applicable to U.S. Bancorp common shareholders	\$ 1,329	\$ 1,435	\$ 1,434	\$ 1,391	\$ 1,365	\$ 1,417	\$ 1,422	\$ 1,404
Earnings per common share	\$.77	\$.83	\$.84	\$.82	\$.77	\$.80	\$.81	\$.80
Diluted earnings per common share	\$.76	\$.83	\$.84	\$.82	\$.76	\$.80	\$.81	\$.80

U.S. Bancorp

Supplemental Financial Data (Unaudited)

Earnings Per Common Share Summary	2016	2015	2014	2013	2012
Earnings per common share	\$ 3.25	\$ 3.18	\$ 3.10	\$ 3.02	\$ 2.85
Diluted earnings per common share	3.24	3.16	3.08	3.00	2.84
Dividends declared per common share	1.070	1.010	.965	.885	.780
Ratios					
Return on average assets	1.36%	1.44%	1.54%	1.65%	1.65%
Return on average common equity	13.4	14.0	14.7	15.8	16.2
Average total U.S. Bancorp shareholders' equity to average assets	10.9	11.0	11.3	11.3	11.0
Dividends per common share to net income per common share	32.9	31.8	31.1	29.3	27.4
Other Statistics (Dollars and Shares in Millions)					
Common shares outstanding (a)	1,697	1,745	1,786	1,825	1,869
Average common shares outstanding and common stock equivalents					
Earnings per common share	1,718	1,764	1,803	1,839	1,887
Diluted earnings per common share	1,724	1,772	1,813	1,849	1,896
Number of shareholders (b)	38,794	40,666	44,114	46,632	49,430
Common dividends declared	\$ 1,842	\$ 1,785	\$ 1,745	\$ 1,631	\$ 1,474

(a) Defined as total common shares less common stock held in treasury at December 31.
(b) Based on number of common stock shareholders of record at December 31.

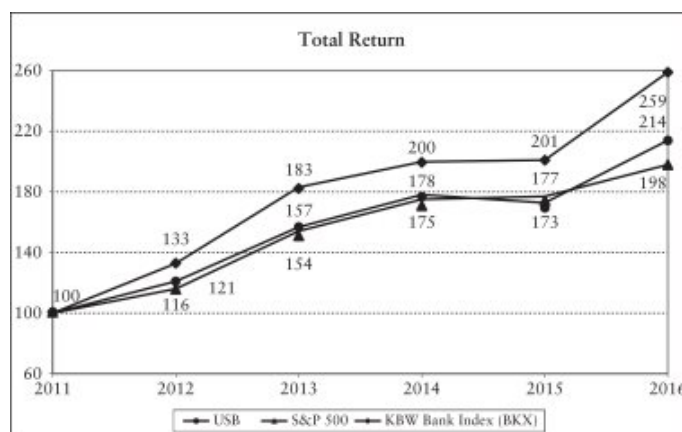
Stock Price Range and Dividends

	2016				2015			
	Sales Price		Closing Price	Dividends Declared	Sales Price		Closing Price	Dividends Declared
	High	Low			High	Low		
First quarter	\$41.82	\$37.07	\$40.59	\$.255	\$45.49	\$40.70	\$43.67	\$.245
Second quarter	43.94	38.48	40.33	.255	45.29	42.12	43.40	.255
Third quarter	44.26	38.63	42.89	.280	46.26	38.81	41.01	.255
Fourth quarter	52.68	42.37	51.37	.280	44.58	39.28	42.67	.255

The common stock of U.S. Bancorp is traded on the New York Stock Exchange, under the ticker symbol "USB." At January 31, 2017, there were 38,703 holders of record of the Company's common stock.

Stock Performance Chart

The following chart compares the cumulative total shareholder return on the Company's common stock during the five years ended December 31, 2016, with the cumulative total return on the Standard & Poor's 500 Index and the KBW Bank Index. The comparison assumes \$100 was invested on December 31, 2011, in the Company's common stock and in each of the foregoing indices and assumes the reinvestment of all dividends. The comparisons in the graph are based upon historical data and are not indicative of, nor intended to forecast, future performance of the Company's common stock.



U.S. Bancorp

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

Year Ended December 31 (Dollars in Millions)	2016			2015		
	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates
Assets						
Investment securities	\$ 107,922	\$ 2,181	2.02%	\$ 103,161	\$ 2,120	2.05%
Loans held for sale	4,181	154	3.70	5,784	206	3.56
Loans (b)						
Commercial	92,043	2,596	2.82	84,083	2,281	2.71
Commercial real estate	43,040	1,698	3.94	42,415	1,650	3.89
Residential mortgages	55,682	2,070	3.72	51,840	1,966	3.79
Credit card	20,490	2,237	10.92	18,057	1,969	10.90
Other retail	52,330	2,114	4.04	49,079	2,020	4.12
Total loans, excluding covered loans	263,585	10,715	4.06	245,474	9,886	4.03
Covered loans	4,226	200	4.73	4,985	271	5.42
Total loans	267,811	10,915	4.08	250,459	10,157	4.06
Other earning assets	9,963	125	1.26	8,041	136	1.69
Total earning assets	389,877	13,375	3.43	367,445	12,619	3.43
Allowance for loan losses	(3,837)			(4,035)		
Unrealized gain (loss) on investment securities	593			710		
Other assets	46,680			44,745		
Total assets	<u>\$433,313</u>			<u>\$408,865</u>		
Liabilities and Shareholders' Equity						
Noninterest-bearing deposits	\$ 81,176			\$ 79,203		
Interest-bearing deposits						
Interest checking	61,726	42	.07	55,974	30	.05
Money market savings	96,518	349	.36	79,266	192	.24
Savings accounts	40,382	34	.09	37,150	40	.11
Time deposits	33,008	197	.60	35,558	195	.55
Total interest-bearing deposits	231,634	622	.27	207,948	457	.22
Short-term borrowings	19,906	268	1.34	27,960	249	.89
Long-term debt	36,220	754	2.08	33,566	699	2.08
Total interest-bearing liabilities	287,760	1,644	.57	269,474	1,405	.52
Other liabilities	16,389			14,686		
Shareholders' equity						
Preferred equity	5,501			4,836		
Common equity	41,838			39,977		
Total U.S. Bancorp shareholders' equity	47,339			44,813		
Noncontrolling interests	649			689		
Total equity	47,988			45,502		
Total liabilities and equity	<u>\$433,313</u>			<u>\$408,865</u>		
Net interest income		<u>\$ 11,731</u>			<u>\$ 11,214</u>	
Gross interest margin			<u>2.86%</u>			<u>2.91%</u>
Gross interest margin without taxable-equivalent increments			<u>2.81%</u>			<u>2.85%</u>
Percent of Earning Assets						
Interest income			3.43%			3.43%
Interest expense			.42			.38
Net interest margin			<u>3.01%</u>			<u>3.05%</u>
Net interest margin without taxable-equivalent increments			<u>2.96%</u>			<u>2.99%</u>

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

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

2014			2013			2012			2016 v 2015
Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	% Change Average Balances
\$ 90,327	\$ 1,991	2.20%	\$ 75,046	\$ 1,767	2.35%	\$ 72,501	\$ 1,939	2.67%	4.6%
3,148	128	4.08	5,723	203	3.56	7,847	282	3.60	(27.7)
75,734	2,228	2.94	67,274	2,168	3.22	60,830	2,168	3.56	9.5
40,592	1,575	3.88	38,237	1,589	4.16	36,505	1,638	4.49	1.5
51,818	2,001	3.86	47,982	1,959	4.08	40,290	1,827	4.53	7.4
17,635	1,817	10.30	16,813	1,691	10.06	16,653	1,693	10.16	13.5
48,353	2,141	4.43	47,125	2,318	4.92	47,938	2,488	5.19	6.6
234,132	9,762	4.17	217,431	9,725	4.47	202,216	9,814	4.85	7.4
7,560	452	5.97	10,043	643	6.41	13,158	826	6.28	(15.2)
241,692	10,214	4.23	227,474	10,368	4.56	215,374	10,640	4.94	6.9
5,827	121	2.08	6,896	175	2.53	10,548	251	2.38	23.9
340,994	12,454	3.65	315,139	12,513	3.97	306,270	13,112	4.28	6.1
(4,187)			(4,373)			(4,642)			4.9
466			633			1,077			(16.5)
42,731			41,281			40,144			4.3
\$ 380,004			\$ 352,680			\$ 342,849			6.0
\$ 73,455			\$ 69,020			\$ 67,241			2.5%
53,248	35	.07	48,792	36	.07	45,433	46	.10	10.3
63,977	117	.18	55,512	76	.14	46,874	62	.13	21.8
34,196	46	.14	31,916	49	.15	29,596	66	.22	8.7
41,764	267	.64	45,217	400	.88	46,566	517	1.11	(7.2)
193,185	465	.24	181,437	561	.31	168,469	691	.41	11.4
30,252	267	.88	27,683	357	1.29	28,549	447	1.57	(28.8)
26,535	725	2.73	21,280	767	3.60	28,448	1,005	3.53	7.9
249,972	1,457	.58	230,400	1,685	.73	225,466	2,143	.95	6.8
13,053			11,973			11,406			11.6
4,756			4,804			4,381			13.8
38,081			35,113			33,230			4.7
42,837			39,917			37,611			5.6
687			1,370			1,125			(5.8)
43,524			41,287			38,736			5.5
\$ 380,004			\$ 352,680			\$ 342,849			6.0
	\$ 10,997			\$ 10,828			\$ 10,969		
		3.07%			3.24%			3.33%	
		3.00%			3.17%			3.26%	
		3.65%			3.97%			4.28%	
		.42			.53			.70	
		3.23%			3.44%			3.58%	
		3.16%			3.37%			3.51%	

Company Information

General Business Description U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. U.S. Bancorp was incorporated in Delaware in 1929 and operates as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. The Company provides a full range of financial services, including lending and depository services, cash management, capital markets, and trust and investment management services. It also engages in credit card services, merchant and ATM processing, mortgage banking, insurance, brokerage and leasing.

U.S. Bancorp's banking subsidiary is engaged in the general banking business, principally in domestic markets. The subsidiary, with \$343 billion in deposits at December 31, 2016, provides a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within the Company's domestic markets, to domestic customers with foreign operations and to large national customers operating in specific industries targeted by the Company. Lending services include traditional credit products as well as credit card services, lease financing and import/export trade, asset-backed lending, agricultural finance and other products. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as capital markets, treasury management and receivable lock-box collection are provided to corporate customers. U.S. Bancorp's bank and trust subsidiaries provide a full range of asset management and fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

Other U.S. Bancorp non-banking subsidiaries offer investment and insurance products to the Company's customers principally within its markets, and fund administration services to a broad range of mutual and other funds.

Banking and investment services are provided through a network of 3,106 banking offices principally operating in the Midwest and West regions of the United States, through on-line services and over mobile devices. The Company operates a network of 4,842 ATMs and provides 24-hour, seven day a week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout the Company's markets. Lending products may be originated through banking offices, indirect correspondents, brokers or other lending sources. The Company is also one of the largest providers of corporate and purchasing card services and corporate trust services in the United States. A wholly-owned subsidiary, Elavon, Inc. ("Elavon"), provides merchant processing services directly to merchants and through a network of banking affiliations. Wholly-owned subsidiaries, and affiliates of Elavon, provide similar merchant services in Canada, Mexico and segments of Europe directly or through joint ventures with other financial institutions. The Company also provides corporate trust

and fund administration services in Europe. These foreign operations are not significant to the Company.

On a full-time equivalent basis, as of December 31, 2016, U.S. Bancorp employed 71,191 people.

Risk Factors An investment in the Company involves risk, including the possibility that the value of the investment could fall substantially and that dividends or other distributions on the investment could be reduced or eliminated. Below are risk factors that could adversely affect the Company's financial results and condition and the value of, and return on, an investment in the Company.

Regulatory and Legal Risk

The Company is subject to extensive and evolving government regulation and supervision, which can increase the cost of doing business, limit the Company's ability to make investments and generate revenue, and lead to costly enforcement actions. Banking regulations are primarily intended to protect depositors' funds, the federal Deposit Insurance Fund, and the United States financial system as a whole, and not the Company's debt holders or shareholders. These regulations, and the Company's inability to act in certain instances without receiving prior regulatory approval, affect the Company's lending practices, capital structure, investment practices, dividend policy, ability to repurchase common stock, and ability to pursue strategic acquisitions, among other activities.

Federal and state regulation and supervision has increased in recent years due to the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and other financial reform initiatives. The Company expects that there will continue to be significant regulatory activity into 2017 and in future years, as a result of current and future initiatives intended to provide economic stimulus, financial market stability, and enhancement of the liquidity and solvency of financial institutions. The recent change in national political leadership has introduced some uncertainty into the direction and timing of any future regulation, however. While an overall reduction in the regulation of the financial services sector could result in some operational and cost benefits, any potential new regulations or modifications to existing regulations and supervisory expectations may necessitate changes to the Company's existing regulatory compliance and risk management infrastructure.

Changes to statutes, regulations or regulatory policies, or their interpretation or implementation, and/or the continued heightening of regulatory practices, requirements or expectations, could affect the Company in substantial and unpredictable ways. For example, the Office of the Comptroller of the Currency's (the "OCC's") Guidelines for Heightened Standards and the Federal Reserve's Enhanced Prudential Supervision Rules have required and will continue to require significant Board of Directors oversight and management focus on governance and risk-

management activities. The OCC has also recently finalized guidelines that require banks to develop and maintain a recovery plan subject to regulatory review, which could present new challenges and demands on resources in stressed scenarios. Further, many parts of the Dodd-Frank Act are still in the implementation stage or are under review, which leaves some uncertainty as to its final aggregate impact upon the Company. In addition, any future changes in tax policies could have an uncertain impact on the Company and its customers.

The financial services industry continues to face intense scrutiny from bank supervisors in the examination process and aggressive enforcement of regulations on both the federal and state levels, particularly with respect to mortgage-related practices, student lending practices, sales practices and related incentive compensation programs, and other consumer compliance matters, as well as compliance with Bank Secrecy Act/anti-money laundering requirements and sanctions compliance requirements as administered by the Office of Foreign Assets Control. In accordance with this trend, the Company entered into a Consent Order with the OCC in October 2015 that concerns deficiencies in its Bank Secrecy Act/anti-money laundering compliance program, and requires an ongoing review of that program. If the Company does not make satisfactory progress toward addressing the requirements of the October 2015 Consent Order, it may be required to enter into further orders and settlements, pay fines or other penalties or further modify its business practices (which may increase the Company's operating expenses and decrease its revenue).

Federal law grants substantial enforcement powers to federal banking regulators and law enforcement. This enforcement authority includes, among other things, the ability to assess significant civil or criminal monetary penalties, fines, or restitution; to issue cease and desist or removal orders; and to initiate injunctive actions against banking organizations and institution-affiliated parties. These enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Foreign supervisors also have increased regulatory scrutiny and enforcement in areas related to consumer compliance, money laundering, and information technology systems and controls, among others. Any future enforcement action could have a material adverse impact on the Company.

In general, the amounts paid by financial institutions in settlement of proceedings or investigations and the severity of other terms of regulatory settlements have been increasing dramatically and are likely to remain elevated in the near term. In some cases, governmental authorities have required criminal pleas or other extraordinary terms as part of such settlements, which could have significant consequences for a financial institution, including loss of customers, restrictions on the ability to access the capital markets, and the inability to operate certain businesses or offer certain products for a period of time. Violations of laws and regulations or deemed deficiencies in risk management practices also may be incorporated into the Company's supervisory ratings. A downgrade in these ratings, or other regulatory actions and settlements, such as the October

2015 Consent Order, can limit the Company's ability to pursue acquisitions or conduct other expansionary activities for a period of time and require new or additional regulatory approvals before engaging in certain other business activities.

Compliance with new regulations and supervisory initiatives may continue to increase the Company's costs. In addition, regulatory changes may reduce the Company's revenues, limit the types of financial services and products it may offer, alter the investments it makes, affect the manner in which it operates its businesses, increase its litigation and regulatory costs should it fail to appropriately comply with new or modified laws and regulatory requirements, and increase the ability of non-banks to offer competing financial services and products. See "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding the extensive regulatory framework applicable to the Company.

More stringent requirements related to capital and liquidity have been adopted by United States banking regulators that may limit the Company's ability to return earnings to shareholders or operate or invest in its business. United States banking regulators have adopted more stringent capital- and liquidity-related standards applicable to larger banking organizations, including the Company. The rules require banks to hold more and higher quality capital as well as sufficient unencumbered liquid assets to meet certain stress scenarios defined by regulation. The implementation of these rules including the common equity tier 1 capital conservation buffer, or additional capital- and liquidity-related rules, could require the Company to take further steps to increase its capital, increase its investment security holdings, divest assets or operations, or otherwise change aspects of its capital and/or liquidity measures, including in ways that may be dilutive to shareholders or could limit the Company's ability to pay common stock dividends, repurchase its common stock, invest in its businesses or provide loans to its customers. See "Supervision and Regulation" in the Company's Annual Report on Form 10-K for additional information regarding the capital and liquidity requirements under the Dodd-Frank Act and Basel III.

Additional requirements may be imposed in the future. The Board of Governors of the Federal Reserve System has recently finalized a policy statement that details the framework it would follow in setting the countercyclical capital buffer, a macroprudential tool that would raise capital requirements when there is an elevated risk of above normal losses in the United States financial system. Furthermore, the Basel Committee on Banking Supervision (the "Basel Committee") has published several consultative papers regarding (i) the standardized approach to credit risk, (ii) a fundamental review of the trading book, (iii) interest rate risk in the banking book, and (iv) operational risk. The Basel Committee is expected to release final standards regarding these measures in 2017. Finally, the United States banking regulators have proposed regulations implementing the Basel Committee's net stable funding ratio framework. The ultimate impact on the Company's capital and

liquidity will depend on the final United States rulemakings and implementation process thereafter.

The Company is subject to significant financial and reputational risks from potential legal liability and governmental actions. The Company faces significant legal risks in its business, and the volume of claims and amount of damages and penalties claimed in litigation and governmental proceedings against it and other financial institutions are increasing. Customers, clients and other counterparties have grown more litigious and are making claims for substantial or indeterminate amounts of damages, while banking regulators and certain other governmental authorities, such as the United States Department of Justice, have demonstrated an increasing focus on enforcement, including in connection with alleged violations of law and customer harm. In addition, governmental authorities have begun to seek criminal penalties against companies in the financial services sector for regulatory violations and have begun to require an admission of wrongdoing from financial institutions in connection with settling such matters. Criminal convictions or admissions of wrongdoing in a settlement with the government can lead to greater exposure in civil litigation and reputational harm.

As an example of increased risks arising from litigation, the Company and other large financial institutions have been sued over the past several years in their capacity as trustee for residential mortgage-backed securities ("RMBS") trusts. The plaintiffs in these actions allege that the significant losses they incurred as investors in the RMBS trusts were caused by the trustees' failure to enforce loan repurchase obligations and to abide by appropriate standards of care after events of default allegedly occurred, while also arguing to broaden the trustees' duties. Although the Company has denied liability and believes it has meritorious defenses in these cases, any finding of liability or new or enhanced duties in one or more of these cases against the Company, or another financial institution, could result in a significant financial loss or require a modification to the Company's business practices, which could negatively impact the Company's financial results.

Substantial legal liability or significant governmental action against the Company could materially impact its financial condition and results of operations or cause significant reputational harm to the Company, which in turn could adversely impact its business prospects. Also, the resolution of a litigation or regulatory matter could result in additional accruals or exceed established accruals for a particular period, which could materially impact the Company's results from operations for that period.

The Company faces increased regulatory and legal risk arising out of its mortgage lending and servicing businesses. The Company is subject to investigations, examinations and inquiries by government agencies and bank regulators concerning mortgage-related practices, including those related to compliance with selling guidelines relating to residential home loans sold to GSEs, foreclosure-related expenses submitted to the Federal Housing Administration or GSEs for reimbursement,

lender-placed insurance, and notices and filings in bankruptcy cases. The Company is cooperating fully with these investigations, examinations and inquiries, any of which could lead to administrative or legal proceedings or settlements. Remedies in such proceedings or settlements may include fines, penalties, restitution or alterations to the Company's business practices, which could increase the Company's operating expenses and decrease its revenue. Additionally, reputational damage arising from these or other inquiries and industry-wide publicity could also have an adverse effect upon the Company's existing mortgage business and could reduce future business opportunities.

In addition to governmental or regulatory investigations, the Company, like other companies with residential mortgage origination and servicing operations, faces the risk of class actions and other litigation arising out of these operations.

The Company may be required to repurchase mortgage loans or indemnify mortgage loan purchasers as a result of breaches in contractual representations and warranties. When the Company sells mortgage loans that it has originated to various parties, including GSEs, it is required to make customary representations and warranties to the purchaser about the mortgage loans and the manner in which they were originated. The Company may be required to repurchase mortgage loans or be subject to indemnification claims in the event of a breach of contractual representations or warranties that is not remedied within a certain period. Contracts for residential mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. If economic conditions and the housing market deteriorate or the GSEs increase their claims of breached representations and warranties, the Company could have increased repurchase obligations and increased loss severity on repurchases, requiring material increases to its repurchase reserve.

The Company is exposed to risk of environmental liability when it takes title to properties. In the course of the Company's business, the Company may foreclose on and take title to real estate. As a result, the Company could be subject to environmental liabilities with respect to these properties. The Company may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if the Company is the owner or former owner of a contaminated site, it may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If the Company becomes subject to significant environmental liabilities, its financial condition and results of operations could be adversely affected.

Economic and Market Conditions Risk

Deterioration in business and economic conditions could adversely affect the financial services industry, and a reversal or slowing of the current economic recovery could adversely affect the Company's lending business and the value of loans and debt securities it holds. The Company's business activities and earnings are affected by general business conditions in the United States and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and under-employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, and the strength of the domestic and global economies in which the Company operates. The deterioration of any of these conditions can adversely affect the Company's consumer and commercial businesses and securities portfolios, its level of charge-offs and provision for credit losses, its capital levels and liquidity, and its results of operations.

Given the high percentage of the Company's assets represented directly or indirectly by loans, and the importance of lending to its overall business, weak economic conditions are likely to have a negative impact on the Company's business and results of operations. A reversal or slowing of the current economic recovery or another severe contraction could adversely impact loan utilization rates as well as delinquencies, defaults and customer ability to meet obligations under the loans. The value to the Company of other assets such as investment securities, most of which are debt securities or other financial instruments supported by loans, similarly would be negatively impacted by widespread decreases in credit quality resulting from a weakening of the economy. Downward valuation of debt securities could also negatively impact the Company's capital position.

Stress in the commercial real estate markets, or a downturn in the residential real estate markets, could cause credit losses and deterioration in asset values for the Company and other financial institutions. A downturn in used auto prices from its current levels could result in increased credit losses and impairment of residual lease values for the Company. Additionally, the current environment of heightened scrutiny of financial institutions, as well as a continued focus on the pace and sustainability of the economic recovery, has resulted in increased public awareness of and sensitivity to banking fees and practices.

Any deterioration in global economic conditions, including those that could follow a withdrawal of the United Kingdom from the European Union and other political trends toward nationalism, could slow the recovery of the domestic economy or negatively impact the Company's borrowers or other counterparties that have direct or indirect exposure to these regions. Such global disruptions can undermine investor confidence, cause a contraction of available credit, or create market volatility, any of which could have significant adverse effects on the Company's

businesses, results of operations, financial condition and liquidity, even if the Company's direct exposure to the affected region is limited.

Changes in domestic economic, trade or tax policies that might arise from recent transitions in political leadership in the United States could also disrupt economic conditions. Such policy changes could negatively affect some sectors of the domestic market more than others, erode consumer confidence levels, cause adverse changes in payment patterns, lead to increases in delinquencies and default rates in certain industries or regions, or have other negative market or customer impacts. Such developments could increase the Company's loan charge-offs and provision for credit losses. Any future economic deterioration that affects household or corporate incomes and the continuing concern regarding the possibility of a return to recessionary conditions could also result in reduced demand for credit or fee-based products and services.

Changes in interest rates could reduce the Company's net interest income. The Company's earnings are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are affected by prevailing economic conditions, by the fiscal and monetary policies of the federal government and by the policies of various regulatory agencies. Like all financial institutions, the Company's financial position is affected by fluctuations in interest rates. Volatility in interest rates can also result in the flow of funds away from financial institutions into direct investments. Direct investments, such as United States government and corporate securities and other investment vehicles (including mutual funds), generally pay higher rates of return than financial institutions, because of the absence of federal insurance premiums and reserve requirements.

Credit and Mortgage Business Risk

Heightened credit risk could require the Company to increase its provision for credit losses, which could have a material adverse effect on the Company's results of operations and financial condition. When the Company lends money, or commits to lend money, it incurs credit risk, or the risk of losses if its borrowers do not repay their loans. As one of the largest lenders in the United States, the credit performance of the Company's loan portfolios significantly affects its financial results and condition. The Company incurred high levels of losses on loans during the most recent financial crisis and recovery period, and if the current economic environment were to deteriorate, more of its customers may have difficulty in repaying their loans or other obligations, which could result in a higher level of credit losses and higher provisions for credit losses. The Company reserves for credit losses by establishing an allowance through a charge to earnings to provide for loan defaults and nonperformance. The amount of the Company's allowance for loan losses is based on its historical loss experience as well as an

evaluation of the risks associated with its loan portfolio, including the size and composition of the loan portfolio, current economic conditions and geographic concentrations within the portfolio. The stress on the United States economy and the local economies in which the Company does business may be greater or last longer than expected, resulting in, among other things, greater than expected deterioration in credit quality of the loan portfolio, or in the value of collateral securing those loans.

In addition, the process the Company uses to estimate losses inherent in its credit exposure requires difficult, subjective, and complex judgments, including forecasts of economic conditions and how these economic predictions might impair the ability of its borrowers to repay their loans. These economic predictions and their impact may no longer be capable of accurate estimation, which may, in turn, impact the reliability of the process. As with any such assessments, the Company may fail to identify the proper factors or to accurately estimate the impacts of the factors that the Company does identify. The Company also makes loans to borrowers where it does not have or service the loan with the first lien on the property securing its loan. For loans in a junior lien position, the Company may not have access to information on the position or performance of the first lien when it is held and serviced by a third party and this may adversely affect the accuracy of the loss estimates for loans of these types. Increases in the Company's allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect its financial results. In addition, the Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches it uses to select, manage, and underwrite its customers become less predictive of future behaviors.

A concentration of credit and market risk in the Company's loan portfolio could increase the potential for significant losses. The Company may have higher credit risk, or experience higher credit losses, to the extent its loans are concentrated by loan type, industry segment, borrower type, or location of the borrower or collateral. For example, the Company's credit risk and credit losses can increase if borrowers who engage in similar activities are uniquely or disproportionately affected by economic or market conditions, or by regulation, such as regulation related to climate change. Deterioration in economic conditions or real estate values in states or regions where the Company has relatively larger concentrations of residential or commercial real estate could result in higher credit costs. In particular, deterioration in real estate values and underlying economic conditions in California could result in significantly higher credit losses to the Company.

Changes in interest rates can impact the value of the Company's mortgage servicing rights and mortgages held for sale, and can make its mortgage banking revenue volatile from quarter to quarter, which can reduce its earnings. The Company has a portfolio of MSR's, which is the right to service a mortgage loan—collect principal, interest and escrow amounts—for

a fee. The Company initially carries its MSR's using a fair value measurement of the present value of the estimated future net servicing income, which includes assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions and thus fair value. As interest rates fall, prepayments tend to increase as borrowers refinance, and the fair value of MSR's can decrease, which in turn reduces the Company's earnings. Further, it is possible that, because of economic conditions and/or a weak or deteriorating housing market, even if interest rates were to fall or remain low, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSR's' value caused by the lower rates.

A decline in the soundness of other financial institutions could adversely affect the Company's results of operations. The Company's ability to engage in routine funding or settlement transactions could be adversely affected by the actions and commercial soundness of other domestic or foreign financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to many different counterparties, and the Company routinely executes and settles transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even rumors or questions about, the soundness of one or more financial services institutions, or the financial services industry generally, could lead to losses or defaults by the Company or by other institutions and impact the Company's predominately United States-based businesses or the less significant merchant processing, corporate trust and fund administration services businesses it operates in foreign countries. Many of these transactions expose the Company to credit risk in the event of a default by a counterparty or client. In addition, the Company's credit risk may be further increased when the collateral held by the Company cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due the Company. There is no assurance that any such losses would not adversely affect the Company's results of operations.

Change in residual value of leased assets may have an adverse impact on the Company's financial results. The Company engages in leasing activities and is subject to the risk that the residual value of the property under lease will be less than the Company's recorded asset value. Adverse changes in the residual value of leased assets can have a negative impact on the Company's financial results. The risk of changes in the realized value of the leased assets compared to recorded residual values depends on many factors outside of the Company's control, including supply and demand for the assets, condition of the assets at the end of the lease term, and other economic factors.

Operations and Business Risk

A breach in the security of the Company's systems could disrupt its businesses, result in the disclosure of confidential information, damage its reputation and create significant financial and legal exposure. Although the Company devotes significant resources to maintain and regularly upgrade its systems and processes that are designed to protect the security of the Company's computer systems, software, networks and other technology assets, as well as its intellectual property, and the confidentiality, integrity and availability of information belonging to the Company and its customers, the Company's security measures do not provide absolute security. Many financial services institutions, retailers and other companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses or malware, cyber attacks and other means. The Company and certain other large financial institutions in the United States have experienced several well-publicized series of apparently related attacks from technically sophisticated and well resourced third parties that were intended to disrupt normal business activities by making internet banking systems inaccessible to customers for extended periods. These "denial-of-service" attacks have not breached the Company's data security systems, but require substantial resources to defend, and may affect customer satisfaction and behavior. Furthermore, even if not directed at the Company, attacks on financial or other institutions important to the overall functioning of the financial system could adversely affect, directly or indirectly, aspects of the Company's businesses.

Third parties with which the Company does business or that facilitate its business activities, including exchanges, clearinghouses, payment and ATM networks, financial intermediaries or vendors that provide services or technology solutions for the Company's operations, could also be sources of operational and security risks to the Company, including with respect to breakdowns or failures of their systems, misconduct by their employees or cyber attacks that could affect their ability to deliver a product or service to the Company or result in lost or compromised information of the Company or its customers. In addition, during the past several years a number of large and small retailers and hospitality companies have disclosed substantial cyber security breaches affecting debit and credit card accounts of their customers, some of whom were the Company's cardholders. Although these incidents have not yet had a material impact on the Company, these attacks involving Company cards are likely to continue and could, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

It is possible that the Company may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used

change frequently, generally increase in sophistication, often are not recognized until launched, and because security attacks can originate from a wide variety of sources, including organized crime, hackers, terrorists, activists, and other external parties, including parties sponsored by hostile foreign governments. Those parties may also attempt to fraudulently induce employees, customers or other users of the Company's systems to disclose sensitive information in order to gain access to the Company's data or that of its customers or clients, such as through "phishing" schemes. These risks may increase in the future as the Company continues to increase its mobile payments and other internet-based product offerings and expands its internal usage of web-based products and applications. In addition, the Company's customers often use their own devices, such as computers, smart phones and tablets, to make payments and manage their accounts. The Company has limited ability to assure the safety and security of its customers' transactions with the Company to the extent they are using their own devices, which could be subject to similar threats.

If the Company's security systems were penetrated or circumvented, or if an authorized user intentionally or unintentionally removed, lost or destroyed operations data, it could cause serious negative consequences for the Company, including significant disruption of the Company's operations, misappropriation of confidential information of the Company or that of its customers, or damage to computers or systems of the Company or those of its customers and counterparties. These consequences could result in violations of applicable privacy and other laws; financial loss to the Company or to its customers; loss of confidence in the Company's security measures; customer dissatisfaction; significant litigation exposure; regulatory fines, penalties or intervention; reimbursement or other compensatory costs; additional compliance costs; and harm to the Company's reputation, all of which could adversely affect the Company.

The Company relies on its employees, systems and third parties to conduct its business, and certain failures could adversely affect its operations. The Company operates in many different businesses in diverse markets and relies on the ability of its employees and systems to process a high number of transactions. The Company incurs risks for potential losses resulting from its operations, including, but not limited to, the risk of fraud by employees or persons outside of the Company, unauthorized access to its computer systems, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements and business continuation and disaster recovery. This risk of loss also includes the potential legal actions, fines or civil money penalties that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity.

Third parties provide key components of the Company's business infrastructure, such as internet connections, network access and mutual fund distribution. While the Company has

selected these third parties carefully, it does not control their actions. Any problems caused by third party service providers, including as a result of their not providing the Company their services for any reason or their performing their services poorly, could adversely affect the Company's ability to deliver products and services to the Company's customers and otherwise to conduct its business. Replacing third party service providers could also entail significant delay and expense. In addition, failure of third party service providers to handle current or higher volumes of use could adversely affect the Company's ability to deliver products and services to clients and otherwise to conduct business. Technological or financial difficulties of a third party service provider could adversely affect the Company's businesses to the extent those difficulties result in the interruption or discontinuation of services provided by that party.

Operational risks for large institutions such as the Company have generally increased in recent years, in part because of the proliferation of new technologies, the use of internet services and telecommunications technologies to conduct financial transactions, the increased number and complexity of transactions being processed, and the increased sophistication and activities of organized crime, hackers, terrorists, activists, and other external parties. If personal, confidential or proprietary information of customers or clients in the Company's possession were to be mishandled or misused, the Company could suffer significant regulatory consequences, reputational damage and financial loss. This mishandling or misuse could include, for example, situations in which the information is erroneously provided to parties who are not permitted to have the information, either by fault of the Company's systems, employees, or third party service providers, or where the information is intercepted or otherwise inappropriately taken by third parties. In the event of a breakdown in the internal control system, improper operation of systems or improper employee or third party actions, the Company could suffer financial loss, face legal or regulatory action and suffer damage to its reputation.

The Company could lose market share and experience increased costs if it does not effectively develop and implement new technology. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services, including innovative ways that customers can make payments or manage their accounts, such as through the use of digital wallets or digital currencies. The Company's continued success depends, in part, upon its ability to address customer needs by using technology to provide products and services that customers want to adopt, and create additional efficiencies in the Company's operations. Developing and deploying new technology-driven products and services can also involve costs that the Company may not recover and divert resources away from other product development efforts. The Company may not be able to effectively develop and implement profitable new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the

financial services industry could harm the Company's competitive position and negatively affect its revenue and profit.

Negative publicity could damage the Company's reputation and adversely impact its business and financial results. Reputational risk, or the risk to the Company's business, earnings and capital from negative public opinion, is inherent in the Company's business and increased substantially because of the financial crisis beginning in 2008. The reputation of the financial services industry in general has been damaged as a result of the financial crisis and other matters affecting the financial services industry, including mortgage foreclosure issues and, more recently, concerns about improper sales practices related to retail customers. Negative public opinion about the financial services industry generally or the Company specifically could adversely affect the Company's ability to keep and attract customers, and expose the Company to litigation and regulatory action. Negative public opinion can result from the Company's actual or alleged conduct in any number of activities, including lending practices, mortgage servicing and foreclosure practices, corporate governance, executive compensation, incentive-based compensation paid to and supervision of sales personnel, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government regulators and community organizations in response to that conduct. Because most of the Company's businesses operate under the "U.S. Bank" brand, actual or alleged conduct by one business can result in negative public opinion about other businesses the Company operates. Although the Company takes steps to minimize reputation risk in dealing with customers and other constituencies, the Company, as a large diversified financial services company with a high industry profile, is inherently exposed to this risk.

The Company's business and financial performance could be adversely affected, directly or indirectly, by disasters, by terrorist activities or by international hostilities. Neither the occurrence nor the potential impact of disasters, terrorist activities or international hostilities can be predicted. However, these occurrences could impact the Company directly (for example, by interrupting the Company's systems, which could prevent the Company from obtaining deposits, originating loans and processing and controlling its flow of business; causing significant damage to the Company's facilities; or otherwise preventing the Company from conducting business in the ordinary course), or indirectly as a result of their impact on the Company's borrowers, depositors, other customers, suppliers or other counterparties (for example, by damaging properties pledged as collateral for the Company's loans or impairing the ability of certain borrowers to repay their loans). The Company could also suffer adverse consequences to the extent that disasters, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region. These types of impacts could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could

result in the Company experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

The Company's ability to mitigate the adverse consequences of these occurrences is in part dependent on the quality of the Company's resiliency planning, and the Company's ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of disasters, terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that the Company transacts with, particularly those that it depends upon, but has no control over. Additionally, the nature and level of natural disasters may be exacerbated by global climate change.

Liquidity Risk

If the Company does not effectively manage its liquidity, its business could suffer. The Company's liquidity is essential for the operation of its business. Market conditions, unforeseen outflows of funds or other events could negatively affect the Company's level or cost of funding, affecting its ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, and fund asset growth and new business transactions at a reasonable cost and in a timely manner. If the Company's access to stable and low-cost sources of funding, such as customer deposits, is reduced, the Company might need to use alternative funding, which could be more expensive or of limited availability. Any substantial, unexpected or prolonged changes in the level or cost of liquidity could adversely affect the Company's business.

Loss of customer deposits could increase the Company's funding costs. The Company relies on bank deposits to be a low-cost and stable source of funding. The Company competes with banks and other financial services companies for deposits. If the Company's competitors raise the rates they pay on deposits, the Company's funding costs may increase, either because the Company raises its rates to avoid losing deposits or because the Company loses deposits and must rely on more expensive sources of funding. Higher funding costs reduce the Company's net interest margin and net interest income. Checking and savings account balances and other forms of customer deposits may decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. When customers move money out of bank deposits and into other investments, the Company may lose a relatively low-cost source of funds, increasing the Company's funding costs and reducing the Company's net interest income.

A downgrade in the Company's credit ratings could have a material adverse effect on its liquidity, funding costs and access to capital markets. The Company's credit ratings are important to its liquidity. A reduction in one or more of the Company's credit ratings could adversely affect its liquidity,

increase its funding costs or limit its access to the capital markets. Further, a downgrade could decrease the number of investors and counterparties willing or able, contractually or otherwise, to do business or lend to the Company, thereby adversely affecting the Company's competitive position. The Company's credit ratings and credit rating agencies' outlooks are subject to ongoing review by the rating agencies, which consider a number of factors, including the Company's own financial strength, performance, prospects and operations, as well as factors not within the control of the Company, including conditions affecting the financial services industry generally. There can be no assurance that the Company will maintain its current ratings and outlooks.

The Company relies on dividends from its subsidiaries for its liquidity needs, and the payment of those dividends could be limited by laws and regulations. The Company is a separate and distinct legal entity from its bank and non-bank subsidiaries. The Company receives a significant portion of its cash from dividends paid by its subsidiaries. These dividends are the principal source of funds to pay dividends on the Company's stock and interest and principal on its debt. Various federal and state laws and regulations limit the amount of dividends that its bank and certain of its non-bank subsidiaries may pay to the Company without regulatory approval. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to prior claims of the subsidiary's creditors, except to the extent that any of the Company's claims as a creditor of that subsidiary may be recognized.

Competitive and Strategic Risk

The financial services industry is highly competitive, and competitive pressures could intensify and adversely affect the Company's financial results. The Company operates in a highly competitive industry that could become even more competitive as a result of legislative, regulatory and technological changes, as well as continued industry consolidation, which may increase in connection with current economic and market conditions. This consolidation may produce larger, better-capitalized and more geographically diverse companies that are capable of offering a wider array of financial products and services at more competitive prices. The Company competes with other commercial banks, savings and loan associations, mutual savings banks, finance companies, mortgage banking companies, credit unions, investment companies, credit card companies, and a variety of other financial services and advisory companies. In addition, technology has lowered barriers to entry and made it possible for non-banks to offer products and services that traditionally were banking products, and for financial institutions to compete with technology companies in providing electronic and internet-based financial solutions. Many of the Company's competitors have fewer regulatory constraints, and some have lower cost structures. Also, the potential need to adapt to industry changes in information technology systems, on

which the Company and financial services industry are highly dependent, could present operational issues and require capital spending. The Company's ability to compete successfully depends on a number of factors, including, among others, its ability to develop and execute strategic plans and initiatives; developing, maintaining and building long-term customer relationships based on quality service, competitive prices, high ethical standards and safe, sound assets; and industry and general economic trends. A failure to compete effectively could contribute to downward price pressure on the Company's products or services or a loss of market share.

The Company may need to lower prices on existing products and services and develop and introduce new products and services to maintain market share. The Company's success depends, in part, on its ability to adapt its products and services to evolving industry standards. There is increasing pressure to provide products and services at lower prices. Lower prices can reduce the Company's net interest margin and revenues from its fee-based products and services. In addition, the widespread adoption of new technologies, including internet services and mobile devices, such as mobile phones and tablet computers, could require the Company to make substantial expenditures to modify or adapt its existing products and services. Also, these and other capital investments in the Company's businesses may not produce expected growth in earnings anticipated at the time of the expenditure. The Company might not be successful in developing or introducing new products and services, adapting to changing customer preferences and spending and saving habits, achieving market acceptance of its products and services, or sufficiently developing and maintaining loyal customer relationships.

The Company's business could suffer if it fails to attract and retain skilled employees. The Company's success depends, in large part, on its ability to attract and retain key employees. Competition for the best people in most activities the Company engages in can be intense. The Company may not be able to hire the best people or to keep them. Recent strong scrutiny of compensation practices has resulted in, and may continue to result in, additional regulation and legislation in this area, as well as additional legislative and regulatory initiatives. In particular, six federal agencies proposed rules in the spring of 2016 to implement the provisions of the Dodd-Frank Act concerning financial institutions' incentive compensation arrangements. If implemented as proposed, the rules could put the Company at a recruiting and retention disadvantage compared to employers not covered by the rules and even other covered institutions that fall under a different category within the rules. There is no assurance that these developments will not cause increased turnover or impede the Company's ability to retain and attract the highest caliber employees.

The Company may not be able to complete future acquisitions, and completed acquisitions may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated, may result in unforeseen

integration difficulties, and may dilute existing shareholders' interests. The Company regularly explores opportunities to acquire financial services businesses or assets and may also consider opportunities to acquire other banks or financial institutions. The Company cannot predict the number, size or timing of acquisitions it might pursue.

The Company must generally receive federal regulatory approval before it can acquire a bank or bank holding company. The Company's ability to pursue or complete an attractive acquisition could be negatively impacted by regulatory delay or other regulatory issues. The Company cannot be certain when or if, or on what terms and conditions, any required regulatory approvals will be granted. For example, the Company may be required to sell branches as a condition to receiving regulatory approval. If the Company commits certain regulatory violations, including those that result in a downgrade in certain of the Company's bank regulatory ratings, governmental authorities could, as a consequence, preclude it from pursuing future acquisitions for a period of time.

There can be no assurance that acquisitions the Company completes will have the anticipated positive results, including results related to expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits. Integration efforts could divert management's attention and resources, which could adversely affect the Company's operations or results. The integration could result in higher than expected customer loss, deposit attrition, loss of key employees, disruption of the Company's businesses or the businesses of the acquired company, or otherwise adversely affect the Company's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. Also, the negative effect of any divestitures required by regulatory authorities in acquisitions or business combinations may be greater than expected. In addition, future acquisitions may also expose the Company to increased legal or regulatory risks. Finally, future acquisitions could be material to the Company, and it may issue additional shares of stock to pay for those acquisitions, which would dilute current shareholders' ownership interests.

Accounting and Tax Risk

The Company's reported financial results depend on management's selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future. The Company's accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment regarding the most appropriate manner to report the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to

apply from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in the Company's reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include the allowance for credit losses, estimations of fair value, the valuation of purchased loans and related indemnification assets, the valuation of MSRs, the valuation of goodwill and other intangible assets, and income taxes. Because of the uncertainty of estimates involved in these matters, the Company may be required to do one or more of the following: significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the reserve provided, recognize significant impairment on its goodwill and other intangible asset balances, or significantly increase its accrued taxes liability. For more information, refer to "Critical Accounting Policies" in this Annual Report.

Changes in accounting standards could materially impact the Company's financial statements. From time to time, the Financial Accounting Standards Board and the United States Securities and Exchange Commission change the financial accounting and reporting standards that govern the preparation of the Company's financial statements. These changes can be hard to predict and can materially impact how the Company records and reports its financial condition and results of operations. The Company could be required to apply a new or revised standard retroactively or apply an existing standard differently, also retroactively, in each case potentially resulting in the Company restating prior period financial statements. As an example, the Financial Accounting Standards Board recently issued accounting guidance, effective for the Company no later than January 1, 2020, related to the impairment of financial instruments, particularly the allowance for loan losses. 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 will be adopted by way of a cumulative effect adjustment recorded to beginning retained earnings upon the effective date. The Company is currently evaluating the impact of this guidance on its financial statements.

The Company's investments in certain tax-advantaged projects may not generate returns as anticipated and may have an adverse impact on the Company's financial results. The Company invests in certain tax-advantaged projects promoting affordable housing, community development and renewable energy resources. The Company's investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. The Company is subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credit and other tax benefits can have a negative impact on the Company's financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of the Company's control, including changes in the applicable tax code and the ability of the projects to be completed.

Risk Management

The Company's framework for managing risks may not be effective in mitigating risk and loss to the Company. The Company's risk management framework seeks to mitigate risk and loss. The Company has established processes and procedures intended to identify, measure, monitor, report, and analyze the types of risk to which it is subject, including liquidity risk, credit risk, market risk, interest rate risk, compliance risk, strategic risk, reputational risk, and operational risk related to its employees, systems and vendors, among others. However, as with any risk management framework, there are inherent limitations to the Company's risk management strategies as there may exist, or develop in the future, risks that it has not appropriately anticipated or identified. The Company relies on quantitative models to measure certain risks and to estimate certain financial values, and these models could fail to predict future events or exposures accurately. The financial and credit crises that began in 2008 and the resulting regulatory reform highlighted both the importance and some of the limitations of managing unanticipated risks, and the Company's regulators remain focused on ensuring that financial institutions build and maintain robust risk management policies. If the Company's risk management framework proves ineffective, the Company could incur litigation and negative regulatory consequences, and suffer unexpected losses that could affect its financial condition or results of operations.

Executive Officers

Richard K. Davis

Mr. Davis is Chairman and Chief Executive Officer of U.S. Bancorp. Mr. Davis, 58, has served as Chairman of U.S. Bancorp since December 2007 and Chief Executive Officer since December 2006. He also served as President from October 2004 until January 2016. He served as Chief Operating Officer from October 2004 until December 2006. Mr. Davis has held management positions with the Company since joining Star Banc Corporation, one of its predecessors, in 1993 as Executive Vice President.

Jennie P. Carlson

Ms. Carlson is Executive Vice President, Human Resources, of U.S. Bancorp. Ms. Carlson, 56, has served in this position since January 2002. Until that time, she served as Executive Vice President, Deputy General Counsel and Corporate Secretary of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. From 1995 until the merger, she was General Counsel and Secretary of Firststar Corporation and Star Banc Corporation.

Andrew Cecere

Mr. Cecere is President and Chief Operating Officer of U.S. Bancorp. Mr. Cecere, 56, has served in this position since January 2016. From January 2015 until January 2016, he served as Vice Chairman and Chief Operating Officer. From February 2007 until January 2015, Mr. Cecere served as U.S. Bancorp's Vice Chairman and Chief Financial Officer. Until that time, he served as Vice Chairman, Wealth Management and Securities Services of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Previously, he had served as an executive officer of the former U.S. Bancorp, including as Chief Financial Officer from May 2000 through February 2001.

James L. Chosy

Mr. Chosy is Executive Vice President and General Counsel of U.S. Bancorp. Mr. Chosy, 53, has served in this position since March 2013. He also served as Corporate Secretary of U.S. Bancorp from March 2013 until April 2016. From 2001 to 2013, he served as the General Counsel and Secretary of Piper Jaffray Companies. From 1995 to 2001, Mr. Chosy was Vice President and Associate General Counsel of U.S. Bancorp, having also served as Assistant Secretary of U.S. Bancorp from 1995 through 2000 and as Secretary from 2000 until 2001.

Terrance R. Dolan

Mr. Dolan is Vice Chairman and Chief Financial Officer of U.S. Bancorp. Mr. Dolan, 55, has served in this position since August 2016. From July 2010 to July 2016, he served as Vice Chairman, Wealth Management and Securities Services, of U.S. Bancorp. From September 1998 to July 2010, Mr. Dolan served as U.S. Bancorp's Controller. He additionally held the title of Executive Vice President from January 2002 until June 2010 and Senior Vice President from September 1998 until January 2002.

John R. Elmore

Mr. Elmore is Vice Chairman, Community Banking and Branch Delivery, of U.S. Bancorp. Mr. Elmore, 60, has served in this position since March 2013. From 1999 to 2013, he served as Executive Vice President, Community Banking, of U.S. Bancorp and its predecessor company, Firststar Corporation.

Leslie V. Godridge

Ms. Godridge is Vice Chairman, Wholesale Banking, of U.S. Bancorp. Ms. Godridge, 61, has served in this position since January 2016. From February 2013 until December 2015, she served as Executive Vice President, National Corporate Specialized Industries and Global Treasury Management, of U.S. Bancorp. From February 2007, when she joined U.S. Bancorp, until January 2013, Ms. Godridge served as Executive Vice President, National Corporate and Institutional Banking, of U.S. Bancorp. Prior to that time, she served as Senior Executive Vice President and a member of the Executive Committee at The Bank of New York, where she was head of BNY Asset Management, Private Banking, Consumer Banking and Regional Commercial Banking from 2004 to 2006.

Gunjan Kedia

Ms. Kedia is Vice Chairman, Wealth Management and Securities Services, of U.S. Bancorp. Ms. Kedia, 45, has served in this position since joining U.S. Bancorp in December 2016. From October 2008 until May 2016, she served as Executive Vice President of State Street Corporation where she led the core investment servicing business in North and South America and served as a member of State Street's management committee, its senior most strategy and policy committee. Previously, Ms. Kedia was an Executive Vice President of global product management at Bank of New York Mellon from 2004 to 2008.

James B. Kelligrew

Mr. Kelligrew is Vice Chairman, Wholesale Banking, of U.S. Bancorp. Mr. Kelligrew, 51, has served in this position since January 2016. From March 2014 until December 2015, he served as Executive Vice President, Fixed Income and Capital Markets, of U.S. Bancorp, having served as Executive Vice President, Credit Fixed Income, of U.S. Bancorp from May 2009 to March 2014. Prior to that time, he held various leadership positions with Wells Fargo Securities from 2003 to 2009, and with Bank of America Securities from 1993 to 2003.

Shailesh M. Kotwal

Mr. Kotwal is Vice Chairman, Payment Services, of U.S. Bancorp. Mr. Kotwal, 52, has served in this position since joining U.S. Bancorp in March 2015. From July 2008 until May 2014, he served as Executive Vice President of TD Bank Group with responsibility for retail banking products and services and as Chair of its enterprise payments council. From 2006 until 2008, he served as President, International, of eFunds Corporation, a payment services company. Previously, Mr. Kotwal served in various leadership roles at American Express Company from 1989 until 2006, including responsibility for operations in North and South America, Europe and the Asia-Pacific regions.

P.W. Parker

Mr. Parker is Vice Chairman and Chief Risk Officer of U.S. Bancorp. Mr. Parker, 60, has served in this position since December 2013. From October 2007 until December 2013 he served as Executive Vice President and Chief Credit Officer of U.S. Bancorp. From March 2005 until October 2007, he served as Executive Vice President of Credit Portfolio Management of U.S. Bancorp, having served as Senior Vice President of Credit Portfolio Management of U.S. Bancorp since January 2002.

Katherine B. Quinn

Ms. Quinn is Executive Vice President and Chief Strategy and Reputation Officer of U.S. Bancorp. Ms. Quinn, 52, has served in this position since joining U.S. Bancorp in September 2013 and has served on U.S. Bancorp's Managing Committee since January 2015. From September 2010 until January 2013, she served as Chief Marketing Officer of WellPoint, Inc. (now known as Anthem, Inc.), a health insurance provider, having served as Head of Corporate Marketing of WellPoint from July 2005 until September 2010. Prior to that time, she served as Chief Marketing and Strategy Officer at The Hartford, an investment and insurance company, from 2003 until 2005.

Mark G. Runkel

Mr. Runkel is Executive Vice President and Chief Credit Officer of U.S. Bancorp. Mr. Runkel, 40, has served in this position since December 2013. From February 2011 until December 2013, he served as Senior Vice President and Credit Risk Group Manager of U.S. Bancorp Retail and Payment Services Credit Risk Management, having served as Senior Vice President and Risk Manager of U.S. Bancorp Retail and Small Business Credit Risk Management from June 2009 until February 2011. From March 2005 until May 2009, he served as Vice President and Risk Manager of U.S. Bancorp.

Kent V. Stone

Mr. Stone is Vice Chairman, Consumer Banking Sales and Support, of U.S. Bancorp. Mr. Stone, 59, has served in this position since March 2013. He served as an Executive Vice President of U.S. Bancorp from 2000 to 2013, most recently with responsibility for Consumer Banking Support Services since 2006, and held other senior leadership positions with U.S. Bancorp since 1991.

Jeffry H. von Gillern

Mr. von Gillern is Vice Chairman, Technology and Operations Services, of U.S. Bancorp. Mr. von Gillern, 51, has served in this position since July 2010. From April 2001, when he joined U.S. Bancorp, until July 2010, Mr. von Gillern served as Executive Vice President of U.S. Bancorp, additionally serving as Chief Information Officer from July 2007 until July 2010.

Directors

Richard K. Davis 1 ,3,7
Chairman and Chief Executive Officer
U.S. Bancorp

Douglas M. Baker, Jr. 1,6,7
Chairman and Chief Executive Officer
Ecolab Inc.
(Cleaning and sanitizing products)

Warner L. Baxter 2,3
Chairman, President and Chief Executive Officer
Ameren Corporation
(Energy)

Marc N. Casper 3,4
President and Chief Executive Officer
Thermo Fisher Scientific Inc.
(Life sciences and healthcare technology)

Andrew Cecere 3,7
President and Chief Operating Officer
U.S. Bancorp

Arthur D. Collins, Jr. 1,5,6
Retired Chairman and Chief Executive Officer
Medtronic, Inc.
(Medical device and technology)

Kimberly J. Harris 1,4,6
President and Chief Executive Officer
Puget Energy, Inc. and Puget Sound Energy, Inc.
(Energy)

Roland A. Hernandez 1,2,4
Founding Principal and Chief Executive Officer
Hernandez Media Ventures
(Media)

Doreen Woo Ho 3,7
Commissioner
San Francisco Port Commission
(Government)

Olivia F. Kirtley 1,5,7
Business Consultant
(Consulting)

Karen S. Lynch 2,4
President
Aetna Inc.
(Healthcare benefits)

David B. O'Maley 1,5,6
Retired Chairman, President and Chief Executive Officer
Ohio National Financial Services, Inc.
(Insurance)

O'dell M. Owens, M.D., M.P.H. 3,4,5
President and Chief Executive Officer
Interact for Health
(Health and wellness)

Craig D. Schnuck 6,7
Former Chairman and Chief Executive Officer
Schnuck Markets, Inc.
(Food retail)

Scott W. Wine 2,5
Chairman and Chief Executive Officer
Polaris Industries, Inc.
(Motorized products)

- 1. Executive Committee
- 2. Audit Committee
- 3. Capital Planning Committee
- 4. Community Reinvestment and Public Policy Committee
- 5. Compensation and Human Resources Committee
- 6. Governance Committee
- 7. Risk Management Committee

SUBSIDIARIES OF U.S. BANCORP
(JURISDICTIONS OF ORGANIZATION SHOWN IN PARENTHESES)

111 Tower Investors, Inc. (Minnesota)
Daimler Title Co. (Delaware)
DSL Service Company (California)
Eclipse Funding LLC (Delaware)
Elavon Canada Company (Canada)
Elavon European Holdings B.V. (Netherlands)
Elavon European Holdings C.V. (Netherlands)
Elavon Financial Services DAC (Ireland)
Elavon Latin American Holdings, LLC (Delaware)
Elavon Merchant Services Mexico, S. de R.L. de C.V. (Mexico)
Elavon Mexico Holding Company, S.A. de C.V. (Mexico)
Elavon Operations Company, S. de R.I. de C.V. (Mexico)
Elavon Puerto Rico, Inc. (Puerto Rico)
Elavon Services Company, S. de R.I. de C.V. (Mexico)
Elavon, Inc. (Georgia)
EuroConex Technologies Limited (Ireland)
Fairfield Financial Group, Inc. (Illinois)
First Bank LaCrosse Building Corp. (Wisconsin)
First LaCrosse Properties (Wisconsin)
Firststar Capital Corporation (Ohio)
Firststar Development, LLC (Delaware)
Firststar Realty, L.L.C. (Illinois)
Fixed Income Client Solutions LLC (Delaware)
FSV Payment Systems, Inc. (Delaware)
Galaxy Funding, Inc. (Delaware)
GTLT, Inc. (Delaware)
HTD Leasing LLC (Delaware)
HVT, Inc. (Delaware)

InternetSecure Corp. (Delaware)
Key Merchant Services, LLC (Delaware)
MBS-UI Sub-CDE XVI, LLC (Delaware)
Mercantile Mortgage Financial Company (Illinois)
Midwest Indemnity Inc. (Vermont)
Mississippi Valley Company (Arizona)
MMCA Lease Services, Inc. (Delaware)
NILT, Inc. (Delaware)
NuMaMe, LLC (Delaware)
One Eleven Investors LLC (Delaware)
P.I.B., Inc. (Minnesota)
Park Bank Initiatives, Inc. (Illinois)
Plaza Towers Holdings, LLC (Minnesota)
Pomona Financial Services, Inc. (California)
Pullman Park Development, LLC (Illinois)
Pullman Park Investment Fund I, LLC (Missouri)
Pullman Transformation, Inc. (Delaware)
Quasar Distributors, LLC (Delaware)
Quintillion Holding Company Limited (Ireland)
Quintillion Limited (Ireland)
Quintillion Services Limited (Ireland)
RBC Community Development Sub 3, LLC (Delaware)
Red Sky Risk Services, LLC (Delaware)
RTRT, Inc. (Delaware)
SCBD, LLC (Delaware)
SCDA, LLC (Delaware)
SCFD LLC (Delaware)
Syncada Asia Pacific Private Limited (Singapore)
Syncada Canada ULC (Canada)
Syncada Europe BVBA (Belgium)
Syncada India Operations Private Limited (India)
Syncada LLC (Delaware)
Tarquad Corporation (Missouri)

The Miami Valley Insurance Company (Arizona)
TMTT, Inc. (Delaware)
U.S. Bancorp Asset Management, Inc. (Delaware)
U.S. Bancorp Community Development Corporation (Minnesota)
U.S. Bancorp Community Investment Corporation (Delaware)
U.S. Bancorp Fund Services (Guernsey), Limited (Guernsey)
U.S. Bancorp Fund Services, Limited (United Kingdom)
U.S. Bancorp Fund Services, LLC (Wisconsin)
U.S. Bancorp Fund Services, Ltd. (Cayman Islands)
U.S. Bancorp Government Leasing and Finance, Inc. (Minnesota)
U.S. Bancorp Insurance and Investments, Inc. (Wyoming)
U.S. Bancorp Insurance Company, Inc. (Vermont)
U.S. Bancorp Insurance Services of Montana, Inc. (Montana)
U.S. Bancorp Insurance Services, LLC (Wisconsin)
U.S. Bancorp Investments, Inc. (Delaware)
U.S. Bancorp Missouri Low-Income Housing Tax Credit Fund, L.L.C. (Missouri)
U.S. Bancorp Municipal Lending and Finance, Inc. (Minnesota)
U.S. Bancorp Service Providers LLC (Delaware)
U.S. Bank National Association (a nationally chartered banking association)
U.S. Bank Trust Company, National Association (a nationally chartered banking association)
U.S. Bank Trust National Association (a nationally chartered banking association)
U.S. Bank Trust National Association SD (a nationally chartered banking association)
U.S. Bank Trustees Limited (United Kingdom)
USB Americas Holdings Company (Delaware)
USB Capital Resources, Inc. (Delaware)
USB Capital IX (Delaware)
USB European Holdings Company (Delaware)
USB Global Investments, LLC (Delaware)
USB Leasing LLC (Delaware)
USB Leasing LT (Delaware)
USB Nominees (UK) Limited (United Kingdom)
USB Realty Corp. (Delaware)
USB Trade Services Limited (Hong Kong)

USBCDE, LLC (Delaware)

VT Inc. (Alabama)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of U.S. Bancorp of our reports dated February 23, 2017, with respect to the consolidated financial statements of U.S. Bancorp and the effectiveness of internal control over financial reporting of U.S. Bancorp, included in the 2016 Annual Report to Shareholders of U.S. Bancorp.

We consent to the incorporation by reference in the following Registration Statements:

<u>Form</u>	<u>Registration Statement No.</u>	<u>Purpose</u>
S-3	333-195373	Shelf Registration Statement
S-8	333-74036	U.S. Bancorp 2001 Stock Incentive Plan
S-8	333-100671	U.S. Bancorp 401(k) Savings Plan
S-8	333-142194	Various benefit plans of U.S. Bancorp
S-8	333-166193	Various benefit plans of U.S. Bancorp
S-8	333-189506	Various benefit plans of U.S. Bancorp
S-8	333-195375	Various benefit plans of U.S. Bancorp
S-8	333-203620	U.S. Bancorp 2015 Stock Incentive Plan

of our reports dated February 23, 2017, with respect to the consolidated financial statements of U.S. Bancorp and the effectiveness of internal control over financial reporting of U.S. Bancorp, included in the 2016 Annual Report to Shareholders of U.S. Bancorp, which is incorporated by reference in this Annual Report (Form 10-K) of U.S. Bancorp for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 23, 2017

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of U.S. Bancorp, a Delaware corporation, hereby constitutes and appoints Richard K. Davis, Andrew Cecere and James L. Chosy, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2016 on Form 10-K under the Securities Exchange Act of 1934, as amended, or such other form as any such attorney-in-fact may deem necessary or desirable, any amendments thereto, and all additional amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has set his or her hand this 17th day of January, 2017.

Douglas M. Baker, Jr.	/s/ Olivia F. Kirtley Olivia F. Kirtley
/s/ Warner L. Baxter Warner L. Baxter	/s/ Karen S. Lynch Karen S. Lynch
/s/ Marc N. Casper Marc N. Casper	/s/ David B. O'Maley David B. O'Maley
/s/ Arthur D. Collins, Jr. Arthur D. Collins, Jr.	/s/ O'dell M. Owens, M.D., M.P.H. O'dell M. Owens, M.D., M.P.H.
/s/ Kimberly J. Harris Kimberly J. Harris	/s/ Craig D. Schnuck Craig D. Schnuck
/s/ Roland A. Hernandez Roland A. Hernandez	/s/ Scott W. Wine Scott W. Wine
/s/ Doreen Woo Ho Doreen Woo Ho	

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned directors of U.S. Bancorp, a Delaware corporation, hereby constitutes and appoints Richard K. Davis, Andrew Cecere and James L. Chosy, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2016 on Form 10-K under the Securities Exchange Act of 1934, as amended, or such other form as any such attorney-in-fact may deem necessary or desirable, any amendments thereto, and all additional amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has set his hand this 1st day of February, 2017.

/s/ Douglas M. Baker, Jr.

Douglas M. Baker, Jr.

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

I, Richard K. Davis, certify that:

- (1) I have reviewed this Annual Report on Form 10-K 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 officer 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 officer 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/ R ICHARD K. D AVIS

Richard K. Davis

Chief Executive Officer

Dated: February 23, 2017

**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 Annual Report on Form 10-K 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 officer 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 officer 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. D OLAN

Terrance R. Dolan

Chief Financial Officer

Dated: February 23, 2017

**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 Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the “Form 10-K”) 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ R ICHARD K. D AVIS

Richard K. Davis

Chief Executive Officer

/s/ T ERRANCE R. D OLAN

Terrance R. Dolan

Chief Financial Officer

Dated: February 23, 2017