US BANCORP \DE\
Form 10-K
February 26, 2007

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2006 annual report and form 10-kp o s i t i v e r e s u l t sstrategic acquisitions return to shareholdersfinancial performanceenhanced customer data protectiontop banking teamagency ratingscredit quality expanded distributioninvestments in our business european payments expansion new products

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Positive results

Come in various forms sustainable earnings, geographic expansion, technological advances, customer service, competitive advantages, shareholder return, innovative products and dedicated employees. we delivered positive results on many fronts in 2006.

CORPORATE PROFILE

U.S. Bancorp, with total assets of $219 billion at year-end 2006, is a diversified financial holding company serving more than 14.2 million customers. U.S. Bancorp is the parent company of U.S. Bank, the sixth largest commercial bank in the U.S. U.S. Bank operates 2,472 banking offices in 24 states, primarily in the lower and upper Midwest and throughout the Southwest and Northwest, and conducts financial business in all 50 states.

Our company s diverse business mix of products and services is provided through four major lines of business: Wholesale Banking, Payment Services, Wealth Management and Consumer Banking. Detailed information about these businesses can be found throughout this report. U.S. Bancorp is headquartered in Minneapolis, MN. U.S. Bancorp employs approximately 50,000 people.

Visit U.S. Bancorp online at usbank.com

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FINANCIALS

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995. This report contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words may, could, would, should, believes, expects, anticipates, estimates, intends, plans, targets, potentially, probably, projects, c expressions. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including changes in general business and economic conditions, changes in interest rates, legal and regulatory developments, increased competition from both banks and non-banks, changes in customer behavior and preferences, effects of mergers and acquisitions and related integration, and effects of critical accounting policies and judgments. These and other risks that may cause actual results to differ from expectations are described throughout this report, which you should read carefully, including the sections entitled Corporate Risk Profile beginning on page 32 and Risk Factors beginning on page 111. Forward-looking statements speak only as of the date they are made, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

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corporate overview

u.s. bancorp is positioned for the current economic environment, as well as future challenges and opportunities. we are leaders in the industry in key financial measurements, and we continue to invest in high-value businesses and to implement strategies that enhance cross-selling, increase customer loyalty, streamline product development and expand distribution.

T H E B U S I N E S S E S A N DCANADAS C O P E O F U. S. B A N C O R P S P E C I A L I Z E D S E R V I C E S / O F F I C E S Commercial Banking Consumer Banking Corporate Banking Commercial Real Estate Payment Services Wealth Management Technology and Operations ServicesPayment Processing Nationally and in Europe**M E T R O P O L I TA N A N D C O M M U N I T Y B A N K I N GUNITED STATES**2,472 banking offices in 24 states **NORWAY24 H O U R B A N K I N GSWEDEN**ATMs: 4,841 **DENMARK**Internet: usbank.com**IRELANDUNITED** Telephone: 800-USBANKS**KINGDOM NETHERLANDSBELGIUMPOLANDGERMANYAUSTRIA FRANCEITALY SPAIN**2**U.S. BANCORP**

U.S . BANCORP AT A GLANCE

Ranking	**U.S. Bank is 6th largest U.S. commercial bank**
Asset size	**$219 billion**
Deposits	**$125 billion**
Loans	**$144 billion**
Earnings per share *(diluted)*	**$2.61**
Return on average assets	**2.23%**
Return on average common equity	**23.6%**
Efficiency ratio	**45.4%**
Tangible efficiency ratio	**42.8%**
Customers	**14.2 million**
Primary banking region	**24 states**
Bank branches	**2,472**
ATMs	**4,841**
NYSE symbol	**USB**

At year-end 2006

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REVENUE MIX BY BUSINESS LINE

WHOLESALE BANKING

U.S. Bancorp provides expertise, resources, prompt decision-making and commitment to partnerships that make us a leader in Corporate, Commercial and Commercial Real Estate Banking. From real-time cash flow management to working capital financing to equipment leasing and more, our complete set of traditional and online services is seamlessly integrated with the needs of our customers.

PAYMENT SERVICES

U.S. Bancorp is a world leader in payment services. Our Multi Service Aviation and Voyager fleet fuel and maintenance programs set the standard in the industry. PowerTrack® provides an enterprise payment solution for both public and private sectors. Our subsidiary NOVA Information Systems, Inc. is among the top payment processors in the world and growing, and we are among the largest ATM processors and credit, debit and gift card issuers in the industry.

WEALTH MANAGEMENT

U.S. Bancorp provides personalized, professional guidance to help individuals, businesses and municipalities build, manage, preserve and protect wealth through financial planning, private banking and personal trust, corporate and institutional trust and custody services, insurance and investment management. From retirement plans and health savings accounts to escrows and estate planning, our clients receive quality products and exceptional service.

CONSUMER BANKING

Convenience, customer service, accessibility and a comprehensive set of quality products make U.S. Bank the first choice of nearly 13 million consumers across our primary 24-state footprint. From basic checking and savings to flexible credit and loan options to mortgage, insurance and investment products, we streamline personal and small business banking to make banking straightforward and trouble-free.

INDUSTRY LEADING PERFORMANCE METRICS

Full year 2006

	USB	Peer Median	USB Rank
Return on Average Assets	**2.23%**	1.38%	1
Return on Average Common Equity	**23.6%**	15.1%	1
Efficiency Ratio	**45.4%**	58.6%	1
Tangible Efficiency Ratio	**42.8%**	57.3%	1

Peer Banks: BAC, BBT, CMA, FITB, KEY, NCC, PNC (excludes BlackRock/MLIM transaction), RF, STI, USB, WB, WFC and WM

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

Tangible efficiency ratio is computed as the efficiency ratio excluding intangible amortization expense.

DBRS =	A A
Fitch =	A A-
Moody s =	A a2
S& P =	A A

SAFETY AND SOUNDNESS

The senior unsecured debt ratings established for U.S. Bancorp by Moody s, Standard and Poor s, Fitch, and Dominion Bond Rating Service reflect the rating agencies recognition of the strong, consistent financial performance of the company and the quality of the balance sheet.

REPUTATION AND PERFORMANCE

U.S. Bancorp is the top performing large bank in the country, according to *Bank Director* magazine s 2006 Bank Performance Scorecard. The large-bank ranking included 25 banks and thrifts with total assets of $50 billion or more and was based on publicly available data over four linked quarters Q3 and Q4 2005 and Q1 and Q2 2006.

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selectedfinancialhighlightsDILUTEDEARNINGSDIVIDENDSD CLAREDNETINCOMEPERCOMMONSHAREPERCOMM
3904,75161.22304,48942.14,167.218.2020.3,73393.11855.2,5003,1681.5065..701780.00002030405060203040506020304050
DIVIDENDPAYOUTRATIO(InPercents)(InPercents)(InPercents)2.424606.23..52321.22224.17.21.72.2522.3.5099.3.19472.1
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(a) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net.

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financial summary

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2006	2005	2004	2006 v 2005	2005 v 2004
Total net revenue (taxable-equivalent basis)	$ 13,636	$ 13,133	$ 12,659	3.8%	3.7%
Noninterest expense	6,180	5,863	5,785	5.4	1.3
Provision for credit losses	544	666	669		
Income taxes and taxable-equivalent adjustments	2,161	2,115	2,038		
Net Income	$ 4,751	$ 4,489	$ 4,167	5.8	7.7
Net Income applicable to common equity	$ 4,703	$ 4,489	$ 4,167	4.8	7.7
PER COMMON SHARE					
Earnings per share	$ 2.64	$ 2.45	$ 2.21	7.8	10.9
Diluted earnings per share	2.61	2.42	2.18	7.9	11.0
Dividends declared per share	1.39	1.23	1.02	13.0	20.6
Book value per share	11.44	11.07	10.52	3.3	5.2
Market value per share	36.19	29.89	31.32	21.1	(4.6)
Average common shares outstanding	1,778	1,831	1,887	(2.9)	(3.0)
Average diluted common shares outstanding	1,804	1,857	1,913	(2.9)	(2.9)
FINANCIAL RATIOS					
Return on average assets	2.23%	2.21%	2.17%		
Return on average common equity	23.6	22.5	21.4		
Net interest margin (taxable-equivalent basis)	3.65	3.97	4.25		
Efficiency ratio (a)	45.4	44.3	45.3		
AVERAGE BALANCES					
Loans	$ 140,601	$ 131,610	$ 120,670	6.8%	9.1%
Investment securities	39,961	42,103	43,009	(5.1)	(2.1)
Earning assets	186,231	178,425	168,123	4.4	6.1
Assets	213,512	203,198	191,593	5.1	6.1
Deposits	120,589	121,001	116,222	(.3)	4.1
Total shareholders equity	20,710	19,953	19,459	3.8	2.5
PERIOD END BALANCES					
Loans	$ 143,597	$ 136,462	$ 124,941	5.2%	9.2%
Allowance for credit losses	2,256	2,251	2,269	.2	(.8)
Investment securities	40,117	39,768	41,481	.9	(4.1)
Assets	219,232	209,465	195,104	4.7	7.4
Deposits	124,882	124,709	120,741	.1	3.3
Shareholders equity	21,197	20,086	19,539	5.5	2.8
Regulatory capital ratios					
Tier 1 capital	8.8%	8.2%	8.6%		
Total risk-based capital	12.6	12.5	13.1		

Leverage	8.2	7.6	7.9
Tangible common equity	5.5	5.9	6.4

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

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letter to shareholders

the year 2006 was a year of challenge, change and achievement for u.s. bancorp, and one of positive results.

FELLOW SHAREHOLDERS:

Achieving record net income

U.S. Bancorp reported record net income for 2006. Net income increased to $4.8 billion, or $2.61 per diluted common share, compared with $4.5 billion, or $2.42 per diluted common share in 2005. Once again, we achieved industry-leading profitability metrics with a return on average assets of 2.23 percent and return on average common equity of 23.6 percent.

We are pleased with the financial results, particularly given the challenging economic environment that our company, and the banking industry as a whole, have faced during this past year. Although the growth in diluted earnings per common share for 2006 of 7.9 percent was lower than it has been in the past few years, we believe the emphasis we have placed on growing our fee-based businesses, stabilizing net interest margin, maintaining high credit quality and our disciplined expense control significantly lessened the impact of a disadvantageous yield curve, heightened competition and excess liquidity that the market offered.

During 2006, U.S. Bancorp continued generating increased earnings from non-interest income, reducing vulnerability to rate fluctuations, and we continued taking risk out of the portfolio. In addition, we affirmed U.S. Bank as a leader in corporate trust, with strategic acquisitions of a number of corporate and institutional trust businesses.

Over the past year, we have become even more convinced that our strategy of investing in high-value, high-return fee-based businesses is the right one. The revenue stream and the competitive advantage have been particularly beneficial as the industry has wrestled with the flattened yield curve. To that end, we acquired additional card portfolios and expanded our merchant acquiring and processing business in Western Europe and Canada.

Preparing U.S. Bancorp for future growth

We are excited about the transitioning to a new CEO, and elsewhere on these pages you will see information regarding U.S. Bancorp succession planning. We have worked closely together since 1993 in building the new U.S. Bancorp, and we intend to continue on the successful path which has led us to achieving the positive results you ll read about in this report.

The long-term goals of our company have not changed. Tactics may change as circumstances do, but the underlying goals and guiding principles remain. Chief among these is our steadfast commitment to our shareholders. That includes producing a minimum return on average common equity of 20 percent, targeting an 80 percent return of earnings to shareholders and growing earnings per share by ten percent over the long term.

We are also committed to developing skilled leadership for the future, investing for growth in our businesses, staying ahead of the ever-advancing technological curve and continuing to expand our reach. These goals, combined with disciplined financial management and the flexibility and readiness to seize an opportunity, give us a true sense of confidence in the bright future of this company.

We want to thank our 50,000 employees who delivered on our promises to customers and whose performance made possible our positive results. We are particularly proud that *U.S. Banker* magazine has ranked U.S. Bancorp number one in the nation for its team of women in executive positions at the company. The Top Banking Team award was announced in the October 2006 issue of the magazine.

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T OTA L S H A R E H O L D E R R E T U R N *(A $100 investment in U.S. Bancorp in 1996 was worth $487 at year-end 2006)*$500 **$487**U.S. Bancorp400**$276**300S&P Commercial Bank Index **$224** 200S&P 500 Index1009697 98 99 00 01 02 03 04 05 **06**

RETURNING 80% OF EARNINGS TO SHAREHOLDERS*(Earnings)**59*100%***63 80 40*** 50***53504620***ReturntoShareholdersShareRepurchase RetentionDividend Payout 0**06**04 05 **06**

New board member

In October 2006, we were pleased to welcome Olivia F. Kirtley to the board of directors. Ms. Kirtley serves on the company s governance and audit committees. Her extensive experience in those areas makes her a valuable addition to our board. Ms. Kirtley, a Certified Public Accountant, is a business consultant on strategic and corporate governance issues and previously served as vice president of finance and chief financial officer of Vermont American Corporation, a global manufacturer. Prior to joining Vermont American, she was with the accounting firm of Ernst & Young.

Managing U.S. Bancorp to create shareholder value

During the fourth quarter of 2006 we announced a 21 percent increase in the dividend rate on U.S. Bancorp common stock. This increased dividend payout allows our superior, industry-leading profitability to be transferred to our shareholders, while allowing us the financial flexibility we need to support balance sheet growth, capital expenditures and small cash acquisitions.

The dividend action continues 35 consecutive years of increasing our dividend. Since 1993, our dividend has shown a compound annual growth rate of 20.8 percent, ranking number one among our peer banking companies. U.S. Bancorp has paid a dividend for 144 consecutive years.

We value and appreciate your investment in U.S. Bancorp. From the hiring and development of talented, dedicated employees to providing outstanding customer service to our strategic direction and our everyday management, we work to increase the value of your investment in this company. It s the reason we come to work each day.

Sincerely,

Richard K. Davis
President and Chief Executive Officer
U.S. Bancorp

Jerry A. Grundhofer
Chairman of the Board
U.S. Bancorp
February 26, 2007

Richard Davis succeeds Jerry Grundhofer as CEO, December 12, 2006.

In accordance with an established succession plan, and a move designed to sustain our company s growth and profitability, on December 12, 2006, Richard K. Davis succeeded Jerry A. Grundhofer as CEO of U.S. Bancorp. Richard will retain his title of president in addition to his new title of chief executive officer. Jerry will remain with U.S. Bancorp as chairman of the board until December 31, 2007. Richard had been president and chief operating officer of U.S. Bancorp since October 2004, and Jerry had been chief executive officer since 1993.

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wholesale banking
continued demand for corporate and commercial loans in 2006, stabilized net interest margin and exceptional leveraging of cross - sell opportunities position us well .

We believe that key indicators in the commercial sector are positive; however, challenges of competitive credit and deposit pricing continued. The credit profile of our company remains excellent as we maintain our disciplined underwriting standards and focus on quality loans. Loans in the Wholesale Banking business line grew five percent in 2006. Although we may experience some increase in charge-offs in coming quarters, they should remain manageable. If interest rates hold steady, we would expect to see continued loan growth and profitability.

During the year, we took a number of actions to further strengthen our commercial and corporate banking industry position. We added new expertise at the senior levels in Corporate Banking and Commercial Real Estate and in our food and agribusiness specialized lending division. We opened new Commercial Real Estate offices in Atlanta, Boston, Houston and Philadelphia, bringing our number of CRE offices to 31 across the country, and opened a new foreign exchange office in Los Angeles, joining those already in Milwaukee, Minneapolis, Portland, St. Louis and Seattle. We launched a number of new products and expanded several existing services to provide customer efficiency, fraud protection, treasury management, and market entry into electronic records management.

KEY BUSINESS UNITS

Middle Market Commercial Banking
Commercial Real Estate
National Corporate Banking
Correspondent Banking
Dealer Commercial Services
Community Banking
Equipment Finance
Foreign Exchange
Government Banking
International Banking
Treasury Management
Small Business Equipment Finance
Small Business Administration
(SBA) Division
Title Industry Banking

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FULL FINANCIAL PARTNERSHIPS

Extending credit is a critical component of Wholesale Banking, but not the only one. Our financial partnership with our business customers extends beyond lending to deposit and payment solutions, employee services, asset management, and trust services, just to name a few. But our most important contribution to our customers businesses is our expertise - in traditional, as well as very specialized services.

Among those specialized areas is Government Banking. U.S. Bank has provided financial services to federal, state, city, county, special districts and authorities for more than a century and currently has more than 5,000 government relationships across the country.

Other areas of specialized expertise include energy industries, food and agribusiness, healthcare, not-for-profit companies, broker dealer businesses and international trade finance. Whatever the market, the industry, the size or financial goals of business, U.S. Bank makes it our business to generate mutually positive results.

December 2006
U.S. Bank launches Image Cash Letter allowing financial institutions to electronically clear their cash letters.

Throughout 2006
U.S. Bank opens commercial real estate offices in Atlanta, Boston, Houston and Philadelphia.

July 2006
U.S. Bank Equipment Finance expands specialty services to `the material handling and construction industries, launching their Distribution Finance Group.

June 2006
U.S. Bank expands Positive Pay fraud protection service giving check writers payee name verification, which detects altered payee names on deposited items and at the teller line.

January 2006
U.S. Bank opens Los Angeles Foreign Exchange office providing competitive prices, expertise and customized foreign exchange hedging solutions.

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payment services

this growing business is a strong driver of non - interest income and plays a crucial part in our plans for the future. our expertise, strategic expansion and superlative processing capabilities are commanding competitive advantages.

Our Payment Services line of business is a primary contributor to our growing percentage of fee-based income and contributes nearly a quarter of our total revenue. In a challenging rate environment such as we have seen in 2006, our fee-based revenue is a bold illustration of the benefits of a diversified business mix. U.S. Bancorp has the skill, scale and infrastructure to make the most of its payment and processing services.

We have invested heavily in the technology to support our delivery systems and our expansion of Payment Services. Payment Services is supported through a rich portfolio of products and processing solutions; retail payment solutions for debit, credit and gift cards; ATM processing and servicing; and specialized programs for financial institutions, the U.S. government, and hospitality and healthcare providers.

Payment Services is a business based on economies of scale, and we have been an active acquirer in this area, making 30 strategic payments business acquisitions since the year 2000. Each has been a purposeful expansion of distribution or product enhancement, and each added to scale and efficiency, solidifying our leadership position in the industry. NOVA Information Systems, Inc., a subsidiary of U.S. Bancorp, is the nation s third-largest payments processor. U.S. Bank is the processor for over 10 percent of all ATMs in the United States.

KEY BUSINESS UNITS

Corporate Payment Systems

Merchant Payment Services

NOVA Information Systems, Inc.

Retail Payment Solutions: Debit, Credit,
Specialty Cards and Gift Cards

Transactions Services:
ATM and Debit Processing and Services

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PAYMENT SERVICES DRIVES SUCCESS AND REVENUE

U.S. Bank is now the world s leading provider of freight audit and payments through PowerTrack®, our patented, electronic business-to-business payment network. PowerTrack processes more than 25 million electronic documents annually with more than 25,000 registered users worldwide. In 2006, the acquisition of Schneider Payment Services added approximately $7 billion in freight payments to the portfolio. In 2006, PowerTrack was named among the top 100 innovators by *Supply & Demand Chain Executive* magazine.

U.S. Bank s Voyager Fleet Card program is a universal fuel and maintenance card accepted at more than 200,000 locations throughout the U.S. The program provides a single source for all card issuance, billing, payment and customer service, and it services more than 1.6 million vehicles nationwide.

In June, NOVA Information Systems European affiliate, euroConex, was awarded the title of Merchant Acquirer of the Year at the Cards International Global Awards. Judges cited the company s international expansion and high cross-border competence. There are currently more than 200,000 merchants in the euroConex portfolio. Combined, NOVA and its affiliates First Horizon Merchant Services, euroConex and Elan provide global merchant processing services to financial institutions and clients in the United States, Canada and Europe, serving approximately 850,000 merchants worldwide.

December 2006
U.S. Bancorp establishes bank, Elavon Financial Services, in Dublin, Ireland, to support credit card merchant acquiring and processing in Europe.

November 2006
U.S. Bank launches contactless credit card pilot in Denver.

October 2006
NOVA and Discover Financial Services sign merchant processing agreement.

October 2006
U.S. Bank Canada acquires CIBC s Visa® purchasing and corporate credit card portfolio.

July 2006
U.S. Bank issues 10 millionth gift card and remains the largest Visa gift card issuer in the United States.

June 2006
NOVA s European affiliate, euroConex, named merchant acquirer of the year at Cards International global award event.

June 2006
U.S. Bank joins MoneyPass ATM network, gives customers surcharge-free access to more than 12,000 ATMs.

January 2006
NOVA buys First Horizon Merchant Services business; adds 53,000 merchants and expands hospitality portfolio.

January 2006
U.S. Bank Voyager acquires Advent Business Systems, Inc.

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wealth management

a commitment to superior performance and customer service enhances our full range of investment management services and the services of our fast - growing corporate and institutional trust and custody businesses .

U.S. Bancorp is a major provider of wealth management services to individuals, businesses, corporations and non-profit organizations. With more than 100 years experience in these fields, we bring the long-term commitment and expertise that our clients demand for today s complex and changing financial environment.

The sophisticated wealth management expertise and solutions of The Private Client Group provide the foundation to support the unique situations and needs of high net worth individuals, families and professional service corporations for whom we develop customized strategies to build, manage and protect their wealth.

We have been steadily expanding our Corporate Trust and Institutional Trust and Custody businesses, both by growing our existing client base and by strategic acquisitions. We are a leading provider of the full spectrum of corporate trust products and services required by corporations and municipalities for raising capital. We are also experts in trust, custody, retirement and health savings account solutions for corporations, businesses, public and non-profit entities.

Through FAF Advisors, we have been significantly increasing distribution of our proprietary mutual fund family, First American Funds, to third party retail mutual-fund distributors, retirement plans, and key accounts. FAF Advisors serves as the investment advisor to First American Funds, as well as to a wide variety of institutional clients.

KEY BUSINESS UNITS

The Private Client Group
Corporate Trust Services
Institutional Trust & Custody
FAF Advisors, Inc.
U.S. Bancorp Fund Services, LLC
U.S. Bancorp Investments, Inc.
U.S. Bancorp Insurance Services, LLC

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GROWING SHARE AND SCALE

U.S. Bancorp invests heavily in technology, new products and distribution channels to support the development and delivery of our services to customers. We also invest in the acquisition of high-value, high-return businesses that will increase performance, revenue and earnings. This is especially true in our Corporate and Institutional Trust businesses, where recent business acquisitions have solidified our leadership position, diversified our geographic presence and increased market share and scale.

In 2006, we continued these strategic acquisitions, enhancing our Corporate Trust and Institutional Trust and Custody capabilities through acquisitions from Wachovia, SunTrust and LaSalle Bank, the United States subsidiary of ABN AMRO Bank N.V. These acquisitions complement our existing businesses, and are following the same successful integration and customer retention paths as our 12 previous similar acquisitions over the past few years.

U.S. Bank is now the number one ABF/MBS/CDO trustee in the nation, number two for new tax-exempt debt issuances, number four as corporate debt trustee, and number nine in global assets under custody. Upon completion of our most recent acquisition of the Municipal Trustee business from LaSalle, U.S. Bank s corporate trust division will have $2.5 trillion in assets under administration, 725,000 bondholders and more than 86,500 client issuances.

November 2006
U.S. Bank signs agreement to purchase the municipal bond trustee business of LaSalle Bank, will acquire 2,875 new client issuances and $30 billion in assets under administration.

September 2006
U.S. Bank acquires the municipal and corporate bond trustee business from SunTrust Banks, adding 4,700 new client issuances and $123 billion in assets under administration.

June 2006
U.S. Bancorp Fund Services is awarded top-rated status by *Global Custodian* for all core services and scores highest in the survey for customer service.

May 2006
The Private Client Group introduces customized Separately Managed Accounts, offering a wide range of money managers and investment choices.

March 2006
U.S. Bancorp Asset Management changes its name to FAF Advisors to more closely align company with its First American Funds family of mutual funds and facilitate continued expansion.

January 2006
U.S. Bank completes acquisition of the corporate trust and institutional custody businesses from Wachovia.

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consumer banking

our continued investment in convenience, customer service and accessibility helps make u.s. bank the bank of choice among consumers. in 2006, we made two small but high - value acquisitions and launched power banking.

In 2006 we made two strategic acquisitions that expanded our market share in the western part of our franchise - purchasing 23 new branch locations in western Colorado and Denver and doubling our branch presence in Montana. Together, these transactions expand U.S. Bank s distribution in rapidly growing and demographically attractive markets in western Colorado, add to our base in Denver and boost our Montana franchise significantly.

Reaching a major milestone, we opened our 500th in-store banking office in November. We operate the third-largest in-store branch network in the nation, and our in-store business model has been very successful for us, our customers and our retail partners.

We introduced an innovative online tool for U.S. branch bankers to design custom solutions for our customers. My Choice Banking, currently offered at more than 400 branches, allows customers to make the most advantageous banking choices in the context of their total financial picture, addressing both current and future needs.

In Small Business Banking, we increased SBA loan total by 38 percent in 2006, according to the Small Business Administration (SBA), providing 4,703 SBA guaranteed loans to small businesses, a U.S. Bank record. U.S. Bank ranks second among SBA bank lenders in loan dollar volume.

KEY BUSINESS UNITS

Community Banking
Metropolitan Branch Banking
In-store and Corporate On-site Banking
Small Business Banking
Consumer Lending
24-Hour Banking & Financial Sales
Home Mortgage
Community Development
Workplace and Student Banking

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FORTIFYING POSITIONS OF STRENGTH

U.S. Bank inaugurated its power bank sales and customer service initiative in the St. Louis market in 2006 with plans to roll it out to other key markets over the next several years. The initiative is designed to solidify our leadership position in markets where U.S. Bank is dominant, protecting market share. Key elements of the initiative are more aggressive marketing, extended branch hours, heavier branch staffing, and customer amenities, including children s entertainment areas, coin counters and more.

We have seen good results from the St. Louis launch, and we anticipate the same increased traffic, account opening and elevated customer satisfaction scores in the other targeted markets as well. It s another way we are investing in our Consumer Banking business and enhancing the customer experience at U.S. Bank.

November 2006
U.S. Bank opens 500th in-store branch.

November 2006
U.S. Bancorp to double branch presence in Montana with agreement to acquire United Financial Corp., parent of Heritage Bank.

November 2006
U.S. Bank celebrates one-year anniversary offering MoneyGram global funds transfer at all branches.

September 2006
U.S. Bank completes purchase of Vail Banks, Inc., bringing branch total in Colorado to 135.

April 2006
Longer branch hours, extra staff and special amenities mark power banking introduction in St. Louis.

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building strong communities

u.s. bancorp places a high priority on investing in the communities we serve, communities in which our customers, our employees and our shareholders live and work.

We work to connect directly with the people and the organizations of our communities, not only by providing needed financial services and credit, but also through collaborative investments and efforts through our Community Development divisions. These are focused on affordable housing investments, economic development support, education, arts and culture and community service. It s through these initiatives and investments and our partnerships with local and national organizations that our resources - financial and human - have the best potential to stimulate economic growth and enhance the quality of life.

In addition, more than $20 million is contributed in grants and charitable contributions to thousands of organizations through the U.S. Bancorp Foundation.

Here, we highlight just a few of the hundreds of ways we are involved in our communities.

U.S. BANCORP FOUNDATION 2006 CHARITABLE CONTRIBUTIONS BY PROGRAM AREA

Community Build Day

U.S. Bank is a national co-sponsor of Community Build Day, in partnership with The Financial Services Roundtable, a trade association of 100 of the largest financial services companies in the country. During this annual event, companies and employees volunteer to build, paint, repair and renovate homes in their communities. In 2006, U.S. Bank and our employees participated in 55 Community Build Day projects including 31 building, repairing and remodeling projects, nine running and walking events and various other activities.

Five Star Volunteer Award

U.S. Bank s Five Star Volunteer Award honors employees for their exceptional community service. In 2006, we presented the award to 130 employees in recognition of their time and dedication to their communities. Through this awards program in 2005 and 2006, U.S. Bank contributed $340,000 to various organizations across our corporate footprint. In 2006, employees in 24 states were recognized for their outstanding efforts.

United Way

One of our key partnerships is with United Way. U.S. Bancorp and our employees have a strong history of generous support, leadership and involvement in United Way. Last year, together, pledges by our employees across the company and contributions by the U.S. Bancorp Foundation totaled more than $9.7 million.

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positive results: a closer look

now that you have read some of the highlights of the year 2006 in our lines of business and seen our goals and achievements, take a closer look at the full story of our financial performance in management s discussion and analysis on the following pages.

FINANCIALS

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Management s Discussion and Analysis

OVERVIEW

In 2006, U.S. Bancorp and its subsidiaries (the Company) demonstrated its financial strength and shareholder focus despite a particularly challenging economic environment for the banking industry. While credit quality within the industry continued to be relatively strong, the flat yield curve throughout most of the year, excess liquidity in the markets and competitiveness for credit relationships have created significant pressures on net interest margins for most banks. The Company achieved record earnings in 2006 and grew earnings per common share, on a diluted basis, by 7.9 percent through its focus on organic growth, investing in business initiatives that strengthen its presence and product offerings for customers, and acquiring fee-based businesses with operating scale. This strategic focus over the past several years has created a well diversified business generating strong fee-based revenues that represented over 50 percent of total net revenue in 2006. As a result, the Company s fee-based revenue grew 11.1 percent over 2005, with growth in most product categories. Fee income growth was led by trust and investment management fees and revenues generated by payment processing businesses. In addition, average loans outstanding rose 6.8 percent year-over-year despite very competitive credit pricing. The Company s performance was also driven by the continued strong credit quality of the Company s loan portfolios. During the year nonperforming assets declined 8.9 percent from a year ago and total net charge-offs decreased to .39 percent of average loans outstanding in 2006, compared with .52 percent in 2005. Finally, the Company s efficiency ratio (the ratio of noninterest expense to taxable-equivalent net revenue excluding net securities gains or losses) was 45.4 percent in 2006, compared with 44.3 percent in 2005, and continues to be a leader in the banking industry. The Company s ability to effectively manage its cost structure has provided a strategic advantage in this highly competitive environment. As a result of these factors, the Company achieved a return on average common equity of 23.6 percent in 2006.

The Company s strong performance is also reflected in its capital levels and the favorable credit ratings assigned by various credit rating agencies. Equity capital of the Company continued to be strong at 5.5 percent of tangible assets at December 31, 2006, compared with 5.9 percent at December 31, 2005. The Company s regulatory Tier 1 capital ratio increased to 8.8 percent at December 31, 2006, compared with 8.2 percent at December 31, 2005. In 2006, the Company s credit ratings were upgraded by Standard & Poor s Ratings Services and Dominion Bond Rating Service. Credit ratings assigned by various credit rating agencies reflect the rating agencies recognition of the Company s sector-leading earnings performance and credit risk profile.

In concert with this financial performance, the Company achieved its objective of returning at least 80 percent of earnings to shareholders in the form of dividends and share repurchases by returning 112 percent of 2006 earnings to shareholders. In December 2006, the Company increased its cash dividend resulting in a 21.2 percent increase from the dividend rate of the fourth quarter of 2005. Throughout 2006, the Company continued to repurchase common shares under share repurchase programs announced in December 2004 and August 2006.

In 2007, the Company s financial and strategic objectives are unchanged from those goals that have enabled it to deliver industry leading financial performance. The Company desires to achieve 10 percent long-term growth in earnings per common share and a return on common equity of at least 20 percent. The Company will continue to focus on effectively managing credit quality and maintaining an acceptable level of credit and earnings volatility. The Company intends to achieve these financial objectives by providing high-quality customer service and continuing to make strategic investments in businesses that diversify and generate fee-based revenues, enhance the Company s distribution network or expand its product offerings. Finally, the Company continues to target an 80 percent return of earnings to its shareholders through dividends or shares repurchased.

Earnings Summary The Company reported net income of $4.8 billion in 2006, or $2.61 per diluted common share, compared with $4.5 billion, or $2.42 per diluted common share, in 2005. Return on average assets and return on average common equity were 2.23 percent and 23.6 percent, respectively, in 2006, compared with returns of 2.21 percent and 22.5 percent, respectively, in 2005.

Total net revenue, on a taxable-equivalent basis for 2006 was $503 million (3.8 percent) higher than 2005 despite the adverse impact of rising rates on product margins generally experienced by the banking industry. The increase in net revenue was comprised of a 13.3 percent increase in noninterest income, partially offset by a 4.2 percent decline in net interest income. Noninterest income growth was driven by higher fee-based revenues from organic business

growth, expansion in trust and payment processing businesses, higher trading income, and gains in 2006 from the initial public offering and subsequent sale of the equity interest in a card association and the sale of a 401(k) defined contribution recordkeeping business. These favorable changes in fee-based revenues
were partially offset by lower mortgage banking revenue

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principally due to the impact of adopting the fair value method of accounting under Statement of Financial Accounting Standards No. 156 Accounting for Servicing of Financial Assets (SFAS 156) in the first quarter of 2006. In addition, noninterest income included a $120 million favorable change in net securities gains (losses) as compared with 2005. The decline in net interest income reflected growth in average earning assets, more than offset by lower net interest margins. In 2006, average earning assets increased $7.8 billion (4.4 percent), compared with 2005, primarily due to growth in total average loans, partially offset by a decrease in investment securities. The net interest margin in 2006 was 3.65 percent, compared with 3.97 percent in 2005. The year-over-year decline in net interest margin reflected the competitive lending environment and the impact of a flatter yield curve compared to a year ago. The net interest margin also declined due to funding incremental asset growth with higher cost wholesale funding, share repurchases and asset/liability decisions designed to reduce the Company s interest rate sensitivity position. These adverse factors impacting the net interest margin were offset somewhat by the margin benefit of net free funds in a rising rate environment and higher loan fees.

Total noninterest expense in 2006 increased $317 million (5.4 percent), compared with 2005, primarily

Table 1 SELECTED FINANCIAL DATA

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2006	2005	2004	2003	2002
CONDENSED INCOME STATEMENT					
Net interest income (taxable-equivalent basis) (a)	$ 6,790	$ 7,088	$ 7,140	$ 7,217	$ 6,847
Noninterest income	6,832	6,151	5,624	5,068	4,911
Securities gains (losses), net	14	(106)	(105)	245	300
Total net revenue	13,636	13,133	12,659	12,530	12,058
Noninterest expense	6,180	5,863	5,785	5,597	5,740
Provision for credit losses	544	666	669	1,254	1,349
Income from continuing operations before taxes	6,912	6,604	6,205	5,679	4,969
Taxable-equivalent adjustment	49	33	29	28	33
Applicable income taxes	2,112	2,082	2,009	1,941	1,708
Income from continuing operations	4,751	4,489	4,167	3,710	3,228
Discontinued operations (after-tax)				23	(23)
Cumulative effect of accounting change (after-tax)					(37)
Net income	$ 4,751	$ 4,489	$ 4,167	$ 3,733	$ 3,168
Net income applicable to common equity	$ 4,703				