US BANCORP \DE\
Form 10-Q
May 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

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	**41-0255900**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

800 Nicollet Mall

Minneapolis, Minnesota 55402

(Address of principal executive offices, including zip code)

651-466-3000

(Registrant s telephone number, including area code)

(not applicable)

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

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

YES þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 þ NO ¨

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 þ	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨
(Do not check if a smaller reporting company)	

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

YES ¨ NO þ

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

Class	Outstanding as of April 30, 2015
Common Stock, $0.01 Par Value	1,773,034,982 shares

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

This quarterly report on Form 10-Q contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. 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, U.S. Bancorp s business and financial performance is likely to be negatively impacted by recently enacted and future legislation and regulation. 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, residual value risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputational risk.

For discussion of these and other risks that may cause actual results to differ from expectations, refer to U.S. Bancorp s Annual Report on Form 10-K for the year ended December 31, 2014, on file with the Securities and Exchange Commission, including the sections entitled Risk Factors and Corporate Risk Profile contained in Exhibit 13, and all subsequent filings with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. However, factors other than these also could adversely affect U.S. Bancorp s results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

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Table 1 Selected Financial Data

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended March 31, 2015	2014	Percent Change
Condensed Income Statement			
Net interest income (taxable-equivalent basis) (a)	$ 2,752	$ 2,706	1.7%
Noninterest income	2,154	2,103	2.4
Securities gains (losses), net		5	*
Total net revenue	4,906	4,814	1.9
Noninterest expense	2,665	2,544	4.8
Provision for credit losses	264	306	(13.7)
Income before taxes	1,977	1,964	.7
Taxable-equivalent adjustment	54	56	(3.6)
Applicable income taxes	479	496	(3.4)
Net income	1,444	1,412	2.3
Net (income) loss attributable to noncontrolling interests	(13)	(15)	13.3
Net income attributable to U.S. Bancorp	$ 1,431	$ 1,397	2.4
Net income applicable to U.S. Bancorp common shareholders	$ 1,365	$ 1,331	2.6
Per Common Share			
Earnings per share	$ .77	$ .73	5.5%
Diluted earnings per share	.76	.73	4.1
Dividends declared per share	.245	.230	6.5
Book value per share	22.20	20.48	8.4
Market value per share	43.67	42.86	1.9
Average common shares outstanding	1,781	1,818	(2.0)
Average diluted common shares outstanding	1,789	1,828	(2.1)
Financial Ratios			
Return on average assets	1.44%	1.56%	
Return on average common equity	14.1	14.6	
Net interest margin (taxable-equivalent basis) (a)	3.08	3.35	
Efficiency ratio (b)	54.3	52.9	
Net charge-offs as a percent of average loans outstanding	.46	.59	
Average Balances			
Loans	$ 247,950	$ 235,859	5.1%
Loans held for sale	4,338	2,626	65.2
Investment securities (c)	100,712	82,216	22.5
Earning assets	360,841	326,226	10.6
Assets	401,836	364,312	10.3
Noninterest-bearing deposits	74,511	70,824	5.2
Deposits	278,460	257,479	8.1
Short-term borrowings	29,497	29,490	
Long-term debt	34,436	22,131	55.6
Total U.S. Bancorp shareholders equity	44,078	41,761	5.5

	March 31, 2015	December 31, 2014	
Period End Balances			
Loans	$ 245,301	$ 247,851	(1.0)%
Investment securities	102,423	101,043	1.4
Assets	410,233	402,529	1.9
Deposits	286,601	282,733	1.4
Long-term debt	35,104	32,260	8.8
Total U.S. Bancorp shareholders equity	44,277	43,479	1.8
Asset Quality			
Nonperforming assets	$ 1,696	$ 1,808	(6.2)%
Allowance for credit losses	4,351	4,375	(.5)
Allowance for credit losses as a percentage of period-end loans	1.77%	1.77%	
Capital Ratios			
Basel III transitional standardized approach:			
Common equity tier 1 capital	9.6%	9.7%	
Tier 1 capital	11.1	11.3	
Total risk-based capital	13.3	13.6	
Leverage	9.3	9.3	
Common equity tier 1 capital to risk-weighted assets for the Basel III transitional advanced approaches	12.3	12.4	
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (d)	9.2	9.0	
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (d)	11.8	11.8	
Tangible common equity to tangible assets (d)	7.6	7.5	
Tangible common equity to risk-weighted assets (d)	9.3	9.3	

* *Not meaningful*

(a) *Presented on a fully taxable-equivalent basis utilizing a tax rate of 35 percent.*

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

(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) *See Non-GAAP Financial Measures beginning on page 31.*

Management s Discussion and Analysis

OVERVIEW

Earnings Summary U.S. Bancorp and its subsidiaries (the Company) reported net income attributable to U.S. Bancorp of $1.4 billion for the first quarter of 2015, or $0.76 per diluted common share, compared with $1.4 billion, or $0.73 per diluted common share, for the first quarter of 2014. Return on average assets and return on average common equity were 1.44 percent and 14.1 percent, respectively, for the first quarter of 2015, compared with 1.56 percent and 14.6 percent, respectively, for the first quarter of 2014.

Total net revenue, on a taxable-equivalent basis, for the first quarter of 2015 was $92 million (1.9 percent) higher than the first quarter of 2014, reflecting a 1.7 percent increase in net interest income and a 2.2 percent increase in noninterest income. The increase in net interest income from the first quarter of 2014 was the result of an increase in average earning assets and continued growth in lower cost core deposit funding, partially offset by a decrease in the net interest margin. The noninterest income increase was primarily due to higher revenue in most fee businesses and higher equity investment gains in other income.

Noninterest expense in the first quarter of 2015 was $121 million (4.8 percent) higher than the first quarter of 2014, primarily due to higher compensation expense, reflecting the impact of merit increases, the June 2014 acquisition of the Chicago-area branch banking operations of the Charter One Bank franchise (Charter One), and higher staffing for risk, compliance and internal audit activities, as well as increased employee benefits expense due to higher pension costs, and higher expense related to mortgage servicing activities.

The provision for credit losses for the first quarter of 2015 of $264 million was $42 million (13.7 percent) lower than the first quarter of 2014. Net charge-offs in the first quarter of 2015 were $279 million, compared with $341 million in the first quarter of 2014. 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.

STATEMENT OF INCOME ANALYSIS

Net Interest Income Net interest income, on a taxable-equivalent basis, in the first quarter of 2015 was $2.8 billion, an increase of $46 million (1.7 percent) over the first quarter of 2014. The increase from a year ago was principally the result of growth in average earning assets and lower cost core deposit funding, partially offset by lower rates on new loans and investment securities and lower loan fees. Average earning assets were $34.6 billion (10.6 percent) higher in the first quarter of 2015, compared with the first quarter of 2014, driven by increases of $18.5 billion (22.5 percent) in investment securities and $12.1 billion (5.1 percent) in loans. The net interest margin, on a taxable-equivalent basis, in the first quarter of 2015 was 3.08 percent, compared with 3.35 percent in the first quarter of 2014. The decrease in the net interest margin from the first quarter of 2014 primarily reflected growth in the investment portfolio at lower average rates, as well as lower reinvestment rates on investment securities, lower loan fees due to the approximately $50 million decrease related to the previously communicated wind down of the short-term, small-dollar deposit advance product, Checking Account Advance (CAA), lower rates on new loans and a change in loan portfolio mix, partially offset by lower funding costs. Refer to the Consolidated Daily Average Balance Sheet and Related Yields and Rates table for further information on net interest income.

Average investment securities in the first quarter of 2015 were $18.5 billion (22.5 percent) higher than the first quarter of 2014, primarily due to purchases of U.S. government and agency-backed securities, net of prepayments and maturities, to support liquidity coverage ratio regulatory requirements.

Average total loans for the first quarter of 2015 were $12.1 billion (5.1 percent) higher than the first quarter of 2014, the result of growth in commercial loans (15.1 percent), commercial real estate loans (6.5 percent), credit card loans (2.4 percent) and other retail loans (3.5 percent), driven by higher demand for loans from new and existing customers. The increases were partially offset by declines in residential mortgages (0.3 percent) and loans covered by loss sharing agreements with the Federal Deposit Insurance Corporation (FDIC) (37.5 percent), a run-off portfolio. Average loans acquired in FDIC-assisted transactions that are covered by loss

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Table 2 Noninterest Income

	Three Months Ended March 31,		
(Dollars in Millions)	2015	2014	Percent Change
Credit and debit card revenue	$ 241	$ 239	.8%
Corporate payment products revenue	170	173	(1.7)
Merchant processing services	359	356	.8
ATM processing services	78	78	
Trust and investment management fees	322	304	5.9
Deposit service charges	161	157	2.5
Treasury management fees	137	133	3.0
Commercial products revenue	200	205	(2.4)
Mortgage banking revenue	240	236	1.7
Investment products fees	47	46	2.2
Securities gains (losses), net		5	*
Other	199	176	13.1
Total noninterest income	$ 2,154	$ 2,108	2.2%

**Not meaningful.*

sharing agreements with the FDIC (covered loans) decreased to $5.2 billion in the first quarter of 2015, compared with $8.3 billion in the same period of 2014, as a result of the expiration of the loss sharing agreements on commercial and commercial real estate assets at the end of 2014.

Average total deposits for the first quarter of 2015 were $21.0 billion (8.1 percent) higher than the first

quarter of 2014. Average noninterest-bearing deposits increased $3.7 billion (5.2 percent) over the prior year, primarily in Consumer and Small Business Banking, as well as Wholesale Banking and Commercial Real Estate, partially offset by a decrease in corporate trust balances. Average total savings deposits were $20.8 billion (14.5 percent) higher, the result of growth in Consumer and Small Business Banking, including the $3.3 billion impact of the Charter One branch acquisitions, corporate trust, and Wholesale Banking and Commercial Real Estate balances. Average time deposits less than $100,000 were $1.0 billion (9.0 percent) lower in the first quarter of 2015, compared with the same period of 2014, due to maturities, while average time deposits greater than $100,000 were $2.5 billion (8.0 percent) lower, primarily due to declines in Wholesale Banking and Commercial Real Estate, corporate trust and Consumer and Small Business Banking balances. Time deposits greater than $100,000 are managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics.

Provision for Credit Losses The provision for credit losses for the first quarter of 2015 decreased $42 million (13.7 percent), from the first quarter of 2014. Net charge-offs decreased $62 million (18.2 percent) in the first quarter of 2015, compared with the same period of the prior year, reflecting improvements in residential mortgages, home equity and second mortgages, as well as construction and development, credit card, and other retail loans. The provision for credit losses was lower than net charge-offs by $15 million in the first quarter of 2015, compared with $35 million

lower than net charge-offs in the first quarter of 2014. 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 the first quarter of 2015 was $2.2 billion, an increase of $46 million (2.2 percent), compared with the first quarter of 2014. The increase from a year ago was due to increases in the majority of fee revenue categories and higher equity investment gains in other income, partially offset by small reductions in commercial products revenue and corporate payment products revenue. In particular, trust and investment management fees increased $18 million (5.9 percent), reflecting account growth and improved market conditions. Merchant processing service fees reflected a growth rate of 0.8 percent inclusive of the impact of foreign currency rate changes. Excluding the impact of foreign currency rate changes, the growth would have been approximately 5.0 percent. The decrease in commercial products revenue of $5 million (2.4 percent) was primarily due to lower wholesale transaction activity, including standby letters of credit and syndication fees, and lower commercial leasing revenue, partially offset by increased bond underwriting fees.

Noninterest Expense Noninterest expense in the first quarter of 2015 was $2.7 billion, an increase of $121 million (4.8 percent), compared with the first quarter of 2014. The increase in noninterest expense from a year ago was primarily the result of higher compensation, employee benefits and other expenses. The increase in

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Table 3 Noninterest Expense

(Dollars in Millions)	Three Months Ended March 31, 2015	2014	Percent Change
Compensation	$ 1,179	$ 1,115	5.7%
Employee benefits	317	289	9.7
Net occupancy and equipment	247	249	(.8)
Professional services	77	83	(7.2)
Marketing and business development	70	79	(11.4)
Technology and communications	214	211	1.4
Postage, printing and supplies	82	81	1.2
Other intangibles	43	49	(12.2)
Other	436	388	12.4
Total noninterest expense	$ 2,665	$ 2,544	4.8%
Efficiency ratio (a)	54.3%	52.9%	

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

compensation expense of $64 million (5.7 percent) reflected the impact of merit increases, the Charter One branch acquisitions, and higher staffing for risk, compliance and internal audit activities, and commissions related to mortgage production. The increase in employee benefits expense of $28 million (9.7 percent) was driven by higher pension costs. The increase in other expense of $48 million (12.4 percent) was primarily due to mortgage servicing-related expenses.

Income Tax Expense The provision for income taxes was $479 million (an effective rate of 24.9 percent) for the first quarter of 2015, compared with $496 million (an effective rate of 26.0 percent) for the first quarter of 2014. The decrease was the result of resolution of certain tax matters. For further information on income taxes, refer to Note 11 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company s loan portfolio was $245.3 billion at March 31, 2015, compared with $247.9 billion at December 31, 2014, a decrease of $2.6 billion (1.0 percent). The decrease was driven primarily by the transfer of approximately $3 billion of student loans from the loan portfolio to loans held for sale at the end of the first quarter of 2015, based on the Company s intent to sell these loans.

Credit card loans decreased $1.0 billion (5.5 percent) at March 31, 2015, compared with December 31, 2014, primarily the result of customers seasonally paying down balances.

Residential mortgages held in the loan portfolio decreased $530 million (1.0 percent) at March 31, 2015, compared with December 31, 2014, reflecting higher loan prepayments due to the low interest rate environment. 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. 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, the loan is transferred to loans held for sale.

Partially offsetting these decreases was an increase in commercial loans of $2.4 billion (2.9 percent) at March 31, 2015, compared with December 31, 2014, reflecting higher demand from new and existing customers.

In addition, excluding student loans, other retail loans increased $289 million (0.6 percent) at March 31, 2015, compared with December 31, 2014. The increase was driven primarily by higher auto and installment loan balances, partially offset by decreases in other loan categories.

Loans Held for Sale Loans held for sale, consisting of residential mortgages and other loans to be sold in the secondary market, were $8.0 billion at March 31, 2015, compared with $4.8 billion at December 31, 2014. The increase in loans held for sale was principally due to the transfer of the student loan balances to loans held for sale at the end of the first quarter of 2015, as well as an increase in residential mortgage loans held for sale balances due to a higher level of mortgage loan closings.

Almost all of the residential mortgage loans the Company originates or purchases for sale follow guidelines that allow the loans to be sold into existing, highly liquid secondary markets; in particular in government agency transactions and to government-sponsored enterprises (GSEs).

Investment Securities Investment securities totaled $102.4 billion at March 31, 2015, compared with $101.0 billion at December 31, 2014. The $1.4 billion (1.4 percent) increase reflected $1.2 billion of net investment purchases and a $208 million favorable

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Table 4 Investment Securities

At March 31, 2015	Available-for-Sale				Held-to-Maturity			
(Dollars in Millions)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (e)	Amortized Cost	Fair Value	Weighted-Average Maturity in Years	Weighted-Average Yield (e)
U.S. Treasury and Agencies								
Maturing in one year or less	$ 421	$ 421	.7	2.39%	$ 80	$ 80	.2	1.36%
Maturing after one year through five years	1,384	1,403	3.2	1.39	1,097	1,112	3.4	1.42
Maturing after five years through ten years	654	667	7.2	2.51	1,510	1,525	7.5	2.20
Maturing after ten years	101	101	18.1	1.41	57	57	10.4	1.76
Total	$ 2,560	$ 2,592	4.4	1.84%	$ 2,744	$ 2,774	5.7	1.86%
Mortgage-Backed Securities (a)								
Maturing in one year or less	$ 1,373	$ 1,378	.7	1.43%	$ 757	$ 758	.7	1.35%
Maturing after one year through five years	38,616	39,090	3.7	1.84	38,155	38,508	3.6	1.97
Maturing after five years through ten years	5,737	5,807	5.9	1.78	3,777	3,810	5.7	1.33
Maturing after ten years	515	516	11.5	1.24	112	111	11.6	1.20
Total	$ 46,241	$ 46,791	4.0	1.81%	$ 42,801	$ 43,187	3.7	1.90%
Asset-Backed Securities (a)								
Maturing in one year or less	$	$		%	$ 1	$ 1	.3	.79%
Maturing after one year through five years	266	276	3.2	1.52	7	10	3.1	.86
Maturing after five years through ten years	355	362	6.5	2.10	5	6	6.4	.87
Maturing after ten years						6	19.1	.79
Total	$ 621	$ 638	5.1	1.86%	$ 13	$ 23	4.3	.86%
Obligations of State and Political Subdivisions (b) (c)								
Maturing in one year or less	$ 1,160	$ 1,181	.5	6.69%	$	$	.5	9.64%
Maturing after one year through five years	3,737	3,956	2.0	6.70	1	1	2.9	8.49
Maturing after five years through ten years	480	489	6.9	4.50	1	1	7.3	7.92
Maturing after ten years	100	109	14.5	7.07	7	7	10.9	2.52
Total	$ 5,477	$ 5,735	2.3	6.51%	$ 9	$ 9	9.2	4.08%
Other Debt Securities								
Maturing in one year or less	$	$		%	$	$		%
Maturing after one year through five years					9	9	2.0	1.44
					21	20	5.6	1.00

Maturing after five years through ten years								
Maturing after ten years	690	628	18.2	2.48				
Total	$ 690	$ 628	18.2	2.48%	$ 30	$ 29	4.5	1.13%
Other Investments	$ 392	$ 442	11.5	2.36%	$	$		%
Total investment securities (d)	$ 55,981	$ 56,826	4.1	2.29%	$ 45,597	$ 46,022	3.8	1.90%

(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 4.3 years at December 31, 2014, with a corresponding weighted-average yield of 2.32 percent. The weighted-average maturity of the held-to-maturity investment securities was 4.0 years at December 31, 2014, with a corresponding weighted-average yield of 1.92 percent.
(e) 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. Average yield and maturity calculations exclude equity securities that have no stated yield or maturity.

	March 31, 2015		December 31, 2014	
(Dollars in Millions)	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
U.S. Treasury and agencies	$ 5,304	5.2%	$ 5,339	5.3%
Mortgage-backed securities	89,042	87.7	87,645	87.3
Asset-backed securities	634	.6	638	.6
Obligations of state and political subdivisions	5,486	5.4	5,613	5.6
Other debt securities and investments	1,112	1.1	1,171	1.2
Total investment securities	$ 101,578	100.0%	$ 100,406	100.0%

change in net unrealized gains (losses) on available-for-sale investment securities.

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 March 31, 2015, the Company s net unrealized gains on available-for-sale securities were $845 million, compared with $637 million at December 31, 2014. The favorable change in net unrealized gains (losses) was primarily due to increases in the fair value of agency mortgage-backed securities as a result of changes in interest rates. Gross unrealized losses on available-for-sale securities totaled $218 million at March 31, 2015, compared with $343

million at December 31, 2014. At March 31, 2015, 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.

In December 2013, U.S. banking regulators approved final rules that prohibit banks from holding certain types of investments, such as investments in hedge and certain private equity funds. The Company does not anticipate the implementation of these final rules will require any significant liquidation of securities held or impairment charges. Refer to Notes 3 and 14 in the Notes to Consolidated Financial Statements for further information on investment securities.

Deposits Total deposits were $286.6 billion at March 31, 2015, compared with $282.7 billion at December 31, 2014, the result of increases in total savings deposits and noninterest-bearing deposits, partially offset by a decrease in time deposits. Savings account balances increased $1.8 billion (5.0 percent), primarily due to continued strong participation in a savings product offered by Consumer and Small Business Banking, including an increase in new accounts and increased balances from existing customers. Interest checking balances increased $1.4 billion (2.6 percent) primarily due to higher Consumer and Small Business Banking, and Wholesale Banking and Commercial Real Estate balances, partially offset by lower corporate trust balances. Noninterest-bearing deposits increased $1.9 billion (2.5 percent) at March 31, 2015, compared with December 31, 2014, primarily due to higher Wholesale Banking and Commercial Real Estate and seasonally higher mortgage escrow-related balances. Time deposits less than $100,000 decreased $435 million (4.1 percent) at March 31, 2015, compared with December 31, 2014, primarily due to lower Consumer and Small Business Banking balances, the result of maturities. Time deposits greater than $100,000 decreased $430 million (1.5 percent) at March 31, 2015, compared with December 31, 2014, primarily due to lower corporate trust balances, partially offset by higher Wholesale Banking and Commercial Real Estate balances. Time deposits greater than $100,000 are 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 $28.2 billion at March 31, 2015, compared with $29.9 billion at December 31, 2014. The $1.7 billion (5.6 percent) decrease in short-term borrowings was primarily due to lower commercial paper and other short-term borrowings balances. Long-term debt was $35.1 billion at March 31, 2015, compared with $32.3 billion at December 31, 2014. The $2.8 billion (8.8 percent) increase was primarily due to the issuance of $2.3 billion of bank notes and a $1.0 billion increase in Federal Home Loan Bank advances, partially offset by $500 million of medium-term note maturities. Refer to the Liquidity Risk Management section for discussion of liquidity management of the Company.

CORPORATE RISK PROFILE

Overview Managing risks is an essential part of successfully operating a financial services company. The 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, 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, mortgage servicing rights (MSRs) and derivatives that are accounted for on a fair value basis. Liquidity risk is the

possible inability to fund obligations or new business at a reasonable cost and in a timely manner. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events, including the risk of loss resulting from breaches in data security. Operational risk can also include 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 potential that negative publicity or press regarding the Company s operations, business practices or products, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. In addition to the risks identified above, other risk factors exist that may impact the Company. Refer to Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, 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 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 provides various risk 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, compliance and strategic 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 risk considerations, impacts and responses.

Credit Risk Management The Company s strategy for credit risk management includes well-defined, centralized credit policies, uniform underwriting criteria, and ongoing risk monitoring and review processes for all commercial and consumer credit exposures. In evaluating its credit risk, the Company considers changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific

concentrations), trends in loan performance and macroeconomic factors, such as changes in unemployment rates, gross domestic product and consumer bankruptcy filings. 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 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. Refer to Note 4 in the Notes to Consolidated Financial Statements for further discussion of the Company s loan portfolios including internal credit quality ratings. In addition, refer to Management s Discussion and Analysis Credit Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for a more detailed discussion on credit risk management processes.

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 lending products. The Company categorizes its loan portfolio into three segments, which is the level at which it develops and documents a systematic methodology to determine the allowance for credit losses. The Company s three loan portfolio segments are commercial lending, consumer lending and covered loans. The commercial lending segment includes loans and leases made to small business, middle market, large corporate, commercial real estate, financial institution, non-profit and public sector customers. Key risk characteristics relevant to commercial lending segment loans include the industry and geography of the borrower s business, purpose of the loan, repayment source, borrower s debt capacity and financial flexibility, loan covenants, and nature of pledged collateral, if any. These risk characteristics, among others, are considered in determining estimates about the likelihood of default by the borrowers and the severity of loss in the event of default. The Company considers these risk characteristics in assigning internal risk ratings to, or forecasting losses on, these loans which are the significant factors in determining the allowance for credit losses for loans in the commercial lending segment. At March 31, 2015, approximately $3.3 billion of the commercial loans outstanding were to customers in energy-related businesses, compared with $3.1 billion at December 31, 2014. The recent decline in energy prices has resulted in deterioration to some of these loans; however, its impact has not been material to the Company.

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, and home equity loans and lines. 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 March 31, 2015, substantially all of the Company s home equity lines were in the draw period, with approximately 85 percent entering the amortization period in 2020 or later. Approximately $219 million of the outstanding home equity line balances at March 31, 2015, will enter the amortization period within the next 12 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.

The Company s consumer lending segment utilizes several distinct business processes and channels to originate consumer credit, including traditional branch lending, 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 mortgages are originated through the Company s branches, loan production offices 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 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 for the LTVs of residential mortgages and home equity and second mortgages by borrower type at March 31, 2015:

Residential mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Prime Borrowers				
Less than or equal to 80%	$ 1,839	$ 36,060	$ 37,899	86.2%
Over 80% through 90%	162	2,968	3,130	7.1
Over 90% through 100%	133	1,187	1,320	3.0
Over 100%	174	1,362	1,536	3.5
No LTV available		72	72	.2
Total	$ 2,308	$ 41,649	$ 43,957	100.0%
Sub-Prime Borrowers				
Less than or equal to 80%	$	$ 552	$ 552	46.3%
Over 80% through 90%		190	190	16.0
Over 90% through 100%		165	165	13.9

Over 100%		284	284	23.8
No LTV available				
Total	$	$ 1,191	$ 1,191	100.0%
Other Borrowers				
Less than or equal to 80%	$ 4	$ 417	$ 421	54.3%
Over 80% through 90%		131	131	16.9
Over 90% through 100%		69	69	8.9
Over 100%		154	154	19.9
No LTV available				
Total	$ 4	$ 771	$ 775	100.0%
Loans Purchased From GNMA Mortgage Pools (a)	$	$ 5,166	$ 5,166	100.0%
Total				
Less than or equal to 80%	$ 1,843	$ 37,029	$ 38,872	76.1%
Over 80% through 90%	162	3,289	3,451	6.8
Over 90% through 100%	133	1,421	1,554	3.0
Over 100%	174	1,800	1,974	3.9
No LTV available		72	72	.1
Loans purchased from GNMA mortgage pools (a)		5,166	5,166	10.1
Total	$ 2,312	$ 48,777	$ 51,089	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 Department of Veterans Affairs.

Home equity and second mortgages (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Prime Borrowers				
Less than or equal to 80%	$ 9,441	$ 624	$ 10,065	66.5%
Over 80% through 90%	2,196	218	2,414	15.9
Over 90% through 100%	1,086	109	1,195	7.9
Over 100%	1,152	150	1,302	8.6
No LTV/CLTV available	145	16	161	1.1
Total	$ 14,020	$ 1,117	$ 15,137	100.0%
Sub-Prime Borrowers				
Less than or equal to 80%	$ 35	$ 26	$ 61	26.9%
Over 80% through 90%	12	17	29	12.8
Over 90% through 100%	11	24	35	15.4
Over 100%	24	76	100	44.0
No LTV/CLTV available		2	2	.9
Total	$ 82	$ 145	$ 227	100.0%
Other Borrowers				
Less than or equal to 80%	$ 347	$ 12	$ 359	72.5%
Over 80% through 90%	79	9	88	17.8
Over 90% through 100%	23	3	26	5.3
Over 100%	19	3	22	4.4
No LTV/CLTV available				
Total	$ 468	$ 27	$ 495	100.0%
Total				

Less than or equal to 80%	$ 9,823	$ 662	$ 10,485	66.1%
Over 80% through 90%	2,287	244	2,531	16.0
Over 90% through 100%	1,120	136	1,256	7.9
Over 100%	1,195	229	1,424	9.0
No LTV/CLTV available	145	18	163	1.0
Total	$ 14,570	$ 1,289	$ 15,859	100.0%

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At March 31, 2015 and December 31, 2014, approximately $1.2 billion of residential mortgages were to customers that may be defined as sub-prime borrowers based on credit scores from independent agencies at loan origination. In addition to residential mortgages, at March 31, 2015, $227 million of home equity and second mortgage loans were to customers that may be defined as sub-prime borrowers, compared with $238 million at December 31, 2014. 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 0.3 percent of total assets at March 31, 2015, compared with 0.4 percent at December 31, 2014. 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.

Covered loans included $823 million in loans with negative-amortization payment options at March 31, 2015, compared with $850 million at December 31, 2014. Other than covered loans, the Company does not have any residential mortgages with payment schedules that would cause balances to increase over time.

Home equity and second mortgages were $15.9 billion at March 31, 2015, unchanged from December 31, 2014, and included $5.0 billion of home equity lines in a first lien position and $10.9 billion of home equity and second mortgage loans and lines in a junior lien position. Loans and lines in a junior lien position at March 31, 2015, included approximately $4.2 billion of loans and lines for which the Company also serviced the related first lien loan, and approximately $6.7 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 March 31, 2015:

	Junior Liens Behind		
(Dollars in Millions)	Company Owned or Serviced First Lien	Third Party First Lien	Total
Total	$ 4,176	$ 6,694	$ 10,870
Percent 30 - 89 days past due	.30%	.49%	.42%
Percent 90 days or more past due	.05%	.10%	.08%
Weighted-average CLTV	76%	73%	75%
Weighted-average credit score	750	744	746

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.

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

90 days or more past due **excluding** nonperforming loans	March 31, 2015	December 31, 2014
Commercial		
Commercial	.06%	.05%
Lease financing		
Total commercial	.05	.05
Commercial Real Estate		
Commercial mortgages	.02	.02
Construction and development	.24	.14
Total commercial real estate	.07	.05
Residential Mortgages (a)	.33	.40
Credit Card	1.19	1.13
Other Retail		
Retail leasing		.02
Other	.17	.17
Total other retail (b)	.15	.15
Total loans, excluding covered loans	.22	.23
Covered Loans	7.01	7.48
Total loans	.36%	.38%

90 days or more past due **including** nonperforming loans	March 31, 2015	December 31, 2014
Commercial	.16%	.19%
Commercial real estate	.58	.65
Residential mortgages (a)	1.95	2.07
Credit card	1.32	1.30
Other retail (b)	.55	.53
Total loans, excluding covered loans	.77	.83
Covered loans	7.25	7.74
Total loans	.91%	.97%

(a) Delinquent loan ratios exclude $3.0 billion at March 31, 2015, and $3.1 billion at December 31, 2014, of loans purchased from GNMA mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Including these loans, the ratio of residential mortgages 90 days or more past due including all nonperforming loans was 7.82 percent at March 31, 2015, and 8.02 percent at December 31, 2014.

(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 ..85 percent at March 31, 2015, and .84 percent at December 31, 2014.

Loan Delinquencies Trends in delinquency ratios are an indicator, among other considerations, of credit risk within the Company s loan portfolios. The Company measures delinquencies, both including and excluding nonperforming

loans, to enable comparability with other companies. Accruing loans 90 days or more past due totaled $880 million ($521 million excluding covered loans) at March 31, 2015, compared with $945 million ($550 million excluding covered loans) at December 31, 2014. These balances exclude loans purchased from Government National Mortgage Association (GNMA) mortgage pools whose repayments are primarily insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. Accruing loans 90 days or more past due are not included in nonperforming assets and continue to accrue interest because they are adequately secured by collateral, are in the process of collection and are reasonably expected to result in repayment or restoration to current status, or are managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines. The ratio of accruing loans 90 days or more past due to total loans was 0.36 percent (0.22 percent excluding covered loans) at March 31, 2015, compared with 0.38 percent (0.23 percent excluding covered loans) at December 31, 2014.

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

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Residential Mortgages (a)				
30-89 days	$ 188	$ 221	.38%	.43%
90 days or more	170	204	.33	.40
Nonperforming	825	864	1.61	1.67
Total	$ 1,183	$ 1,289	2.32%	2.50%
Credit Card				
30-89 days	$ 203	$ 229	1.16%	1.24%
90 days or more	209	210	1.19	1.13
Nonperforming	22	30	.13	.16
Total	$ 434	$ 469	2.48%	2.53%
Other Retail				
Retail Leasing				
30-89 days	$ 7	$ 11	.12%	.18%
90 days or more		1		.02
Nonperforming	1	1	.02	.02
Total	$ 8	$ 13	.14%	.22%
Home Equity and Second Mortgages				
30-89 days	$ 64	$ 85	.41%	.54%
90 days or more	40	42	.25	.26
Nonperforming	170	170	1.07	1.07
Total	$ 274	$ 297	1.73%	1.87%
Other (b)				
30-89 days	$ 107	$ 142	.44%	.51%
90 days or more	28	32	.11	.12
Nonperforming	16	16	.06	.06
Total	$ 151	$ 190	.61%	.69%

(a) Excludes $362 million of loans 30-89 days past due and $3.0 billion of loans 90 days or more past due at March 31, 2015, purchased from GNMA mortgage pools that continue to accrue interest, compared with $431 million and $3.1 billion at December 31, 2014, respectively.
(b) Includes revolving credit, installment, automobile and student loans.

The following tables provide further information on residential mortgages and home equity and second mortgages as a percent of ending loan balances by borrower type:

Residential mortgages (a)	March 31, 2015	December 31, 2014
Prime Borrowers		
30-89 days	.30%	.33%
90 days or more	.29	.35
Nonperforming	1.38	1.42
Total	1.97%	2.10%
Sub-Prime Borrowers		
30-89 days	3.78%	5.12%
90 days or more	2.77	3.41
Nonperforming	16.29	16.73
Total	22.84%	25.26%
Other Borrowers		
30-89 days	1.42%	1.37%
90 days or more	.90	1.13
Nonperforming	3.36	3.50
Total	5.68%	6.00%

(a) Excludes delinquent and nonperforming information on loans purchased from GNMA mortgage pools as their repayments are primarily insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

Home equity and second mortgages	March 31, 2015	December 31, 2014
Prime Borrowers		
30-89 days	.36%	.47%
90 days or more	.23	.24
Nonperforming	.96	.95
Total	1.55%	1.66%
Sub-Prime Borrowers		
30-89 days	2.20%	3.36%
90 days or more	.88	1.26
Nonperforming	5.73	5.88
Total	8.81%	10.50%
Other Borrowers		
30-89 days	.81%	1.18%
90 days or more	.61	.40
Nonperforming	2.42	2.36
Total	3.84%	3.94%

The following table provides summary delinquency information for covered loans:

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
30-89 days	$ 68	$ 68	1.34%	1.28%

90 days or more	359	395	7.01	7.48
Nonperforming	12	14	.23	.27
Total	$ 439	$ 477	8.58%	9.03%

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 March 31, 2015, performing TDRs were $4.9 billion, compared with $5.1 billion at December 31, 2014. 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 U.S. 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 U.S. 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, 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 March 31, 2015		As a Percent of Performing TDRs			
(Dollars in Millions)	Performing TDRs	30-89 Days Past Due	90 Days or More Past Due	Nonperforming TDRs	Total TDRs
Commercial	$ 206	9.1%	1.6%	$ 38(a)	$ 244
Commercial real estate	259	2.8	5.2	94(b)	353
Residential mortgages	1,851	3.6	3.3	529	2,380(d)
Credit card	204	9.2	6.1	22(c)	226
Other retail	164	4.2	4.0	65(c)	229(e)
TDRs, excluding GNMA and covered loans	2,684	4.4	3.6	748	3,432
Loans purchased from GNMA mortgage pools	2,157	6.7	58.7		2,157(f)
Covered loans	29	1.9	5.9	4	33
Total	$ 4,870	5.4%	28.0%	$ 752	$ 5,622

(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 $319 million of residential mortgage loans to borrowers that have had debt discharged through bankruptcy and $77 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.
(e) Includes $127 million of other retail loans to borrowers that have had debt discharged through bankruptcy and $8 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.
(f) Includes $494 million of Federal Housing Administration and Department of Veterans Affairs residential mortgage loans to borrowers that have had debt discharged through bankruptcy and $561 million in trial period arrangements or previously placed in trial period arrangements but not successfully completed.

Short-term Modifications The Company makes short-term modifications that it does not consider to be TDRs, in limited circumstances, to assist borrowers experiencing temporary hardships. Consumer lending programs include payment reductions, deferrals of up to three past due payments, and the ability to return to current status if the borrower makes required payments. The Company may also make short-term modifications to commercial lending loans, with the most common modification being an extension of the maturity date of three months or less. Such extensions generally are used when the maturity date is imminent and the borrower is experiencing some level of financial stress, but the Company believes the borrower will pay all contractual amounts owed. Short-term modified loans were not material at March 31, 2015.

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Table 6 Nonperforming Assets (a)

(Dollars in Millions)	March 31, 2015	December 31, 2014
Commercial		
Commercial	$ 74	$ 99
Lease financing	13	13
Total commercial	87	112
Commercial Real Estate		
Commercial mortgages	142	175
Construction and development	75	84
Total commercial real estate	217	259
Residential Mortgages (b)	825	864
Credit Card	22	30
Other Retail		
Retail leasing	1	1
Other	186	186
Total other retail	187	187
Total nonperforming loans, excluding covered loans	1,338	1,452
Covered Loans	12	14
Total nonperforming loans	1,350	1,466
Other Real Estate (c)(d)	293	288
Covered Other Real Estate (d)	37	37
Other Assets	16	17
Total nonperforming assets	$ 1,696	$ 1,808
Total nonperforming assets, excluding covered assets	$ 1,647	$ 1,757
Excluding covered assets		
Accruing loans 90 days or more past due (b)	$ 521	$ 550
Nonperforming loans to total loans	.56%	.60%
Nonperforming assets to total loans plus other real estate (c)	.68%	.72%
Including covered assets		
Accruing loans 90 days or more past due (b)	$ 880	$ 945
Nonperforming loans to total loans	.55%	.59%
Nonperforming assets to total loans plus other real estate (c)	.69%	.73%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Credit Card, Other Retail and Residential Mortgages	Covered Assets	Total
Balance December 31, 2014	$ 431	$ 1,326	$ 51	$ 1,808
Additions to nonperforming assets				
New nonaccrual loans and foreclosed properties	69	126	9	204
Advances on loans	15			15
Total additions	84	126	9	219

Reductions in nonperforming assets							
Paydowns, payoffs		(95)		(67)		(3)	(165)
Net sales		(13)		(24)		(8)	(45)
Return to performing status				(42)			(42)
Charge-offs (e)		(50)		(29)			(79)
Total reductions		(158)		(162)		(11)	(331)
Net additions to (reductions in) nonperforming assets		(74)		(36)		(2)	(112)
Balance March 31, 2015	$	357	$	1,290	$	49	$ 1,696

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

(b) Excludes $3.0 billion and $3.1 billion at March 31, 2015, and December 31, 2014, 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 Department of Veterans Affairs.

(c) Foreclosed GNMA loans of $675 million and $641 million at March 31, 2015, and December 31, 2014, 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 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.

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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 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 March 31, 2015, total nonperforming assets were $1.7 billion, compared with $1.8 billion at December 31, 2014. The $112 million (6.2 percent) decrease in nonperforming assets was primarily driven by reductions in commercial loans, commercial real estate loans and residential mortgages. Nonperforming covered assets at March 31, 2015, were $49 million, compared with $51 million at December 31, 2014. The ratio of total nonperforming assets to total loans and other real estate was 0.69 percent at March 31, 2015, compared with 0.73 percent at December 31, 2014.

Other real estate owned, excluding covered assets, was $293 million at March 31, 2015, compared with $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 Department of Veterans Affairs.

The following table provides an analysis of other real estate owned, 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:

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Residential				
Minnesota	$ 19	$ 16	.31%	.26%
Florida	18	17	1.15	1.06
Illinois	17	16	.40	.37
Ohio	13	13	.42	.42
Wisconsin	12	10	.54	.44
All other states	166	161	.33	.32
Total residential	245	233	.37	.35
Commercial				
Illinois	12	12	.20	.19
Florida	6	7	.19	.24
California	5	11	.02	.05
Indiana	3	3	.20	.20
Texas	2		.03	
All other states	20	22	.02	.03
Total commercial	48	55	.04	.04
Total	$ 293	$ 288	.12%	.12%

Analysis of Loan Net Charge-Offs Total loan net charge-offs were $279 million for the first quarter of 2015, compared with $341 million for the first quarter of 2014. The ratio of total loan net charge-offs to average loans outstanding on an annualized basis for the first quarter of 2015 was 0.46 percent, compared with 0.59 percent for the first quarter of 2014. The decrease in net charge-offs

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

	Three Months Ended March 31,	
	2015	2014
Commercial		
Commercial	.21%	.21%
Lease financing	.23	.16
Total commercial	.21	.21
Commercial Real Estate		
Commercial mortgages	(.01)	(.01)
Construction and development	(.72)	(.10)
Total commercial real estate	(.17)	(.03)
Residential Mortgages	.28	.45
Credit Card	3.71	3.96
Other Retail		
Retail leasing	.07	
Home equity and second mortgages	.36	.82
Other	.60	.69
Total other retail	.46	.65
Total loans, excluding covered loans	.47	.60
Covered Loans		.24
Total loans	.46%	.59%

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for the first quarter of 2015, compared with the first quarter of 2014, reflected improvements in residential mortgages, home equity and second mortgages, as well as construction and development, credit card, and other retail loans.

Commercial and commercial real estate loan net charge-offs for the first quarter of 2015 were $25 million (0.08 percent of average loans outstanding on an annualized basis), compared with $33 million (0.12 percent of average loans outstanding on an annualized basis) for the first quarter of 2014.

Residential mortgage loan net charge-offs for the first quarter of 2015 were $35 million (0.28 percent of average loans outstanding on an annualized basis), compared with $57 million (0.45 percent of average loans outstanding on an annualized basis) for the first quarter of 2014. Credit card loan net charge-offs for the first quarter of 2015 were $163 million (3.71 percent of average loans outstanding on an annualized basis), compared with $170 million (3.96 percent of average loans outstanding on an annualized basis) for the first quarter of 2014. Other retail loan net charge-offs for the first quarter of 2015 were $56 million (0.46 percent of average loans outstanding on an annualized basis), compared with $76 million (0.65 percent of average loans outstanding on an annualized basis) for the first quarter of 2014. The decrease in total residential mortgage, credit card and other retail loan net charge-offs reflected the improvement in economic conditions.

The following table provides an analysis of net charge-offs as a percent of average loans outstanding for residential mortgages and home equity and second mortgages by borrower type:

	Three Months Ended March 31,			
	Average Loans		Percent of Average Loans	
(Dollars in Millions)	2015	2014	2015	2014
Residential Mortgages				
Prime borrowers	$ 44,233	$ 43,503	.19%	.36%
Sub-prime borrowers	1,205	1,360	3.37	5.07
Other borrowers	787	901	1.03	.45
Loans purchased from GNMA mortgage pools (a)	5,201	5,820	.16	
Total	$ 51,426	$ 51,584	.28%	.45%
Home Equity and Second Mortgages				
Prime borrowers	$ 15,163	$ 14,605	.29%	.75%
Sub-prime borrowers	231	273	3.51	4.46
Other borrowers	503	488	.81	.83
Total	$ 15,897	$ 15,366	.36%	.82%

(a) Represents loans purchased from GNMA mortgage pools whose payments are primarily insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

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 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 14-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 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 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 March 31, 2015, the Company serviced the first lien on 38 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 $347 million or 2.2 percent of the total home equity portfolio at March 31, 2015, represented 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 in any period has been a small percentage of the total portfolio (for example, only 0.9 percent for the twelve months ended March 31, 2015), and the long-term average loss rate on the small percentage of loans that default has been approximately 80 percent. In addition, the Company obtains updated credit scores on its home equity portfolio each quarter, and in some cases more frequently, and uses this information to qualitatively supplement its loss estimation methods. Credit score distributions for the portfolio are monitored monthly and any changes in the distribution are one of the factors considered in assessing the Company s loss estimates. In its evaluation of the allowance for credit losses, the Company also considers the increased risk of loss associated with home equity lines that are contractually scheduled to convert from a revolving status to a fully amortizing payment and with residential lines and loans that have a balloon payoff provision.

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

In addition, the evaluation of the appropriate allowance for credit losses 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.

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, internal review and other relevant business practices; and the regulatory environment. The consideration of these items results in

adjustments to allowance amounts included in the Company s allowance for credit losses for each of the above loan segments.

Refer to Management s Discussion and Analysis Analysis of the Allowance for Credit Losses in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on the analysis and determination of the allowance for credit losses.

At March 31, 2015 and December 31, 2014, the allowance for credit losses was $4.4 billion (1.77 percent of period-end loans). The ratio of the allowance for credit losses to nonperforming loans was 322 percent at March 31, 2015, compared with 298 percent at December 31, 2014. The ratio of the allowance for credit losses to annualized loan net charge-offs was 385 percent at March 31, 2015, compared with 328 percent of full year 2014 net charge-offs at December 31, 2014, reflecting the impact of improving economic conditions over the past year.

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Table 8 Summary of Allowance for Credit Losses

(Dollars in Millions)	Three Months Ended March 31, 2015	2014
Balance at beginning of period	$ 4,375	$ 4,537
Charge-Offs		
Commercial		
Commercial	68	57
Lease financing	6	6
Total commercial	74	63
Commercial real estate		
Commercial mortgages	4	7
Construction and development	1	1
Total commercial real estate	5	8
Residential mortgages	41	61
Credit card	182	184
Other retail		
Retail leasing	2	1
Home equity and second mortgages	21	36
Other	58	63
Total other retail	81	100
Covered loans (a)		6
Total charge-offs	383	422
Recoveries		
Commercial		
Commercial	28	23
Lease financing	3	4
Total commercial	31	27
Commercial real estate		
Commercial mortgages	5	8
Construction and development	18	3
Total commercial real estate	23	11
Residential mortgages	6	4
Credit card	19	14
Other retail		
Retail leasing	1	1
Home equity and second mortgages	7	5
Other	17	18
Total other retail	25	24
Covered loans (a)		1
Total recoveries	104	81
Net Charge-Offs		
Commercial		
Commercial	40	34
Lease financing	3	2
Total commercial	43	36

Commercial real estate		
Commercial mortgages	(1)	(1)
Construction and development	(17)	(2)
Total commercial real estate	(18)	(3)
Residential mortgages	35	57
Credit card	163	170
Other retail		
Retail leasing	1	
Home equity and second mortgages	14	31
Other	41	45
Total other retail	56	76
Covered loans (a)		5
Total net charge-offs	279	341
Provision for credit losses	264	306
Other changes (b)	(9)	(5)
Balance at end of period (c)	$ 4,351	$ 4,497
Components		
Allowance for loan losses	$ 4,023	$ 4,189
Liability for unfunded credit commitments	328	308
Total allowance for credit losses	$ 4,351	$ 4,497
Allowance for Credit Losses as a Percentage of		
Period-end loans, excluding covered loans	1.79%	1.90%
Nonperforming loans, excluding covered loans	321	293
Nonperforming and accruing loans 90 days or more past due, excluding covered loans	231	200
Nonperforming assets, excluding covered assets	261	243
Annualized net charge-offs, excluding covered loans	379	320
Period-end loans	1.77%	1.89%
Nonperforming loans	322	278
Nonperforming and accruing loans 90 days or more past due	195	161
Nonperforming assets	257	225
Annualized net charge-offs	385	325

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

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

(c) At March 31, 2015 and 2014, $1.6 billion and $1.7 billion, respectively, of the total allowance for credit losses related to incurred losses on credit card and other retail loans.

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Residual Value Risk Management The Company manages its risk to changes in the residual value of leased assets through disciplined residual valuation setting at the inception of a lease, diversification of its leased assets, regular residual asset valuation reviews and monitoring of residual value gains or losses upon the disposition of assets. As of March 31, 2015, no significant change in the amount of residual values or concentration of the portfolios had occurred since December 31, 2014. Refer to Management s Discussion and Analysis Residual Value Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on residual value risk management.

Operational Risk Management Operational risk is inherent in all business activities, and the management of this risk is important to the achievement of the Company s objectives. Business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities. The Company maintains a system of controls with the objective of providing proper transaction authorization and execution, proper system operations, proper oversight of third parties with whom they do business, safeguarding of assets from misuse or theft, and ensuring the reliability and security of financial and other data. Refer to Management s Discussion and Analysis Operational Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on operational risk management.

Compliance Risk Management The Company may suffer legal or regulatory sanctions, material financial loss, or damage to reputation through failure to comply with laws, regulations, rules, standards of good practice, and codes of conduct. The Company has controls and processes in place for the assessment, identification, monitoring, management and reporting of compliance risks and issues. Refer to Management s Discussion and Analysis Compliance Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on compliance risk management.

Interest Rate Risk Management In the banking industry, changes in interest rates are a significant risk that can impact earnings, market valuations and the safety and soundness of an entity. To manage the impact on net interest income and the market value of assets and liabilities, the Company manages its exposure to changes in interest rates through asset and liability management activities within guidelines established by its Asset Liability 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 Management estimates the impact on net interest income of changes in market interest rates under a number of scenarios, including gradual shifts, immediate and sustained parallel shifts, and flattening or steepening of the yield curve. Table 9 summarizes the projected impact to net interest income over the next 12 months of various potential interest rate changes. The ALCO policy limits the estimated change in net interest income in a gradual 200 basis point (bps) rate change scenario to a 4.0 percent decline of forecasted net interest income over the next 12 months. At March 31, 2015, and December 31, 2014, the Company was within policy. Refer to Management s Discussion and Analysis Net Interest Income Simulation Analysis in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on net interest income simulation analysis.

Market Value of Equity Modeling The Company also manages interest rate sensitivity by utilizing market value of equity modeling, which measures the degree to which the market values of the Company s assets and liabilities and off-balance sheet instruments will change given a change in interest rates. Management measures the impact of changes in market interest rates under a number of scenarios, including immediate and sustained parallel shifts, and flattening or steepening of the yield curve. The ALCO policy limits the change in market value of equity in a 200 bps

parallel rate shock to a 15.0 percent decline. A 200 bps increase would have resulted in a 5.6 percent decrease in the market value of equity at March 31, 2015, compared with a 6.7 percent

Table 9 Sensitivity of Net Interest Income

	March 31, 2015				December 31, 2014			
	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual	Down 50 bps Immediate	Up 50 bps Immediate	Down 200 bps Gradual	Up 200 bps Gradual
Net interest income	*	1.66%	*	2.19%	*	1.38%	*	1.68%

**Given the current level of interest rates, a downward rate scenario can not be computed.*

decrease at December 31, 2014. A 200 bps decrease, where possible given current rates, would have resulted in a 8.3 percent decrease in the market value of equity at March 31, 2015, compared with a 7.1 percent decrease at December 31, 2014. Refer to Management s Discussion and Analysis Market Value of Equity Modeling in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on market value of equity modeling.

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

- To convert fixed-rate debt from fixed-rate payments to floating-rate payments;
- To convert the cash flows associated with floating-rate loans and debt from floating-rate payments to fixed-rate payments;
- To mitigate changes in value of the Company s mortgage origination pipeline, funded mortgage loans held for sale and MSRs;
- To mitigate remeasurement volatility of foreign currency denominated balances; and
- To mitigate the volatility of the Company s investment in foreign operations driven by fluctuations in foreign currency exchange rates.

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

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

Additionally, the Company uses forward commitments to sell TBAs and other commitments to sell residential mortgage loans at specified prices to economically hedge the interest rate risk in its residential mortgage loan production activities. At March 31, 2015, the Company had $8.9 billion of forward commitments to sell, hedging $4.0 billion of mortgage loans held for sale and $6.9 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 mortgage loans held for sale.

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 12 and 13 in the Notes to Consolidated Financial Statements.

Market Risk Management In addition to interest rate risk, the Company is exposed to other forms of market risk, principally related to trading activities which support customers strategies to manage their own foreign currency, interest rate risk and funding activities. For purposes of its internal capital adequacy assessment process, the Company considers risk arising from its trading activities employing methodologies consistent with the requirements of regulatory rules for market risk. The Company s Market Risk Committee (MRC), within the framework of the ALCO, oversees market risk management. The MRC monitors and reviews the Company s trading positions and establishes policies for market risk management, including exposure limits for each portfolio. The Company uses a 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:

Three Months Ended March 31,		
(Dollars in Millions)	2015	2014
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 the three months ended March 31, 2015 and 2014. 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:

Three Months Ended March 31,		
(Dollars in Millions)	2015	2014
Average	$ 5	$ 4
High	8	6
Low	2	2
Period-end	6	3

Valuations of positions in the client derivatives and foreign currency transaction businesses are based on standard 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 mortgage loans held for sale 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 one-day VaR amounts for the residential mortgage loans held for sale and related hedges and the MSRs and related hedges were as follows:

Three Months Ended March 31, (Dollars in Millions)	2015	2014
Residential Mortgage Loans Held For Sale and Related Hedges		
Average	$ 1	$ 1
High	2	1
Low		
Mortgage Servicing Rights and Related Hedges		
Average	$ 7	$ 3
High	8	7
Low	6	2

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 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 Federal Home Loan Bank (FHLB) and the Federal Reserve Bank s Discount Window. At March 31, 2015, the fair value of unencumbered available-for-sale and held-to-maturity investment securities totaled $87.6 billion, compared with $86.9 billion at December 31, 2014. Refer to Table 4 and Balance Sheet Analysis for further information on investment securities maturities and trends. Asset liquidity is further enhanced by the Company s ability to pledge loans to access secured borrowing facilities through the FHLB and Federal Reserve Bank. At March 31, 2015, the Company could have borrowed an additional $77.7 billion at the FHLB and Federal Reserve Bank based on collateral available for additional borrowings.

The Company s diversified deposit base provides a sizeable source of relatively stable and low-cost funding, while reducing the Company s reliance on the wholesale markets. Total deposits were $286.6 billion at March 31, 2015, compared with $282.7 billion at December 31, 2014. Refer to Balance Sheet Analysis for further information on the Company s deposits.

Additional funding is provided by long-term debt and short-term borrowings. Long-term debt was $35.1 billion at March 31, 2015, and is an important funding source because of its multi-year borrowing structure. Short-term borrowings were $28.2 billion at March 31, 2015, and supplement the Company s other funding sources. Refer to Balance Sheet Analysis for further information on the Company s long-term debt and short-term borrowings.

In addition to assessing liquidity risk on a consolidated basis, the Company monitors the parent company s liquidity. The Company 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.

At March 31, 2015, parent company long-term debt outstanding was $12.7 billion, compared with $13.2 billion at December 31, 2014. The decrease was primarily due to the maturity of $500 million of medium-term notes. As of March 31, 2015, there was $1.3 billion of parent company debt scheduled to mature in the remainder of 2015.

During 2014, U.S. banking regulators approved a final regulatory Liquidity Coverage Ratio (LCR), requiring banks to maintain an adequate level of unencumbered high quality liquid assets to meet estimated liquidity needs over a 30-day stressed period. The LCR requirement became effective for the Company January 1, 2015, subject to certain transition provisions over the following two years to full implementation by January 1, 2017. At March 31, 2015, the Company was compliant with the fully implemented LCR requirement based on its interpretation of the final U.S. LCR rule.

Refer to Management s Discussion and Analysis Liquidity Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on liquidity risk management.

European Exposures Certain European countries have experienced severe credit deterioration. The Company does not hold sovereign debt of any European country, but may have indirect exposure to sovereign debt through its investments in, and transactions with, European banks. At March 31, 2015, the Company had investments in perpetual preferred stock issued by European banks with an amortized cost totaling $22 million and unrealized losses totaling $1 million, compared with an amortized cost totaling $66 million and unrealized losses totaling $2 million, at December 31, 2014. The Company also transacts with various European banks as counterparties

to interest rate and foreign currency derivatives for its hedging and customer-related activities; however, none of these banks are domiciled in the countries currently experiencing the most significant credit deterioration. These derivatives are subject to master netting arrangements. In addition, interest rate and foreign currency derivative transactions are subject to collateral arrangements which significantly limit the Company s exposure to loss as they generally require daily posting of collateral. At March 31, 2015, the Company was in a net receivable position with four banks in the United Kingdom, one bank in Germany and two banks in France, totaling $37 million. The Company was in a net payable position to each of the other European banks.

The Company has not bought or sold credit protection on the debt of any European country or any company domiciled in Europe, nor does it provide retail lending services in Europe. While the Company does not offer commercial lending services in Europe, it does provide financing to domestic multinational corporations that generate revenue from customers in European countries and provides a limited number of corporate credit cards to their European subsidiaries. While further deterioration in economic conditions in Europe could have a negative impact on these customers revenues, it is unlikely that any effect on the overall credit-worthiness of these multinational corporations would be material to the Company.

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 with certain European banks. However, 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 March 31, 2015, the Company had an aggregate amount on deposit with European banks of approximately $305 million.

The money market funds managed by a subsidiary of the Company do not have any investments in European sovereign debt, other than approximately $360 million at March 31, 2015 guaranteed by the country of Germany. Other than investments in banks in the countries of the Netherlands, France and Germany, those funds do not have any unsecured investments in banks domiciled in the Eurozone.

Off-Balance Sheet Arrangements Off-balance sheet arrangements include any contractual arrangements to which an unconsolidated entity is a party, under which the Company has an obligation to provide credit or liquidity enhancements or market risk support. In the ordinary course of business, the Company enters into an array of commitments to extend credit, letters of credit and various forms of guarantees that may be considered off-balance sheet arrangements. Refer to Note 15 of the Notes to Consolidated Financial Statements for further information on these arrangements. The Company has not utilized private label asset securitizations as a source of funding. Off-balance sheet arrangements also include any obligation related to a variable interest held in an unconsolidated entity that provides financing, liquidity, credit enhancement or market risk support. Refer to Note 5 of the Notes to Consolidated Financial Statements for further information related to the Company s interests in variable interest entities.

Capital Management The Company is committed to managing capital to maintain strong protection for depositors and creditors and for maximum shareholder benefit. The Company also manages its capital to exceed regulatory capital requirements for well-capitalized bank holding companies. 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. Table 10 provides a summary of statutory regulatory capital ratios in effect for the Company at March 31, 2015 and December 31, 2014. All regulatory ratios exceeded regulatory well-capitalized requirements.

During 2014, U.S. banking regulators approved a final 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 March 31, 2015, the Company s SLR exceeds the applicable minimum SLR requirement effective January 1, 2018.

Total U.S. Bancorp shareholders equity was $44.3 billion at March 31, 2015, compared with $43.5 billion at December 31, 2014. The increase was primarily the result of corporate earnings and changes in unrealized gains and losses on available-for-sale investment securities included in other comprehensive income, partially offset by dividends and common share repurchases.

The Company believes certain capital ratios in addition to statutory regulatory capital ratios are useful

in evaluating its capital adequacy. The Company s

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Table 10 Regulatory Capital Ratios

(Dollars in Millions)	March 31, 2015	December 31, 2014
Basel III transitional standardized approach:		
Common equity tier 1 capital	$ 31,308	$ 30,856
Tier 1 capital	36,382	36,020
Total risk-based capital	43,558	43,208
Risk-weighted assets	327,709	317,398
Common equity tier 1 capital as a percent of risk-weighted assets	9.6%	9.7%
Tier 1 capital as a percent of risk-weighted assets	11.1	11.3
Total risk-based capital as a percent of risk-weighted assets	13.3	13.6
Tier 1 capital as a percent of adjusted quarterly average assets (leverage ratio)	9.3	9.3
Basel III transitional advanced approaches:		
Common equity tier 1 capital	$ 31,308	$ 30,856
Tier 1 capital	36,382	36,020
Total risk-based capital	40,712	40,475
Risk-weighted assets	254,892	248,596
Common equity tier 1 capital as a percent of risk-weighted assets	12.3%	12.4%
Tier 1 capital as a percent of risk-weighted assets	14.3	14.5
Total risk-based capital as a percent of risk-weighted assets	16.0	16.3

tangible common equity, as a percent of tangible assets and as a percent of risk-weighted assets calculated under the transitional standardized approach, was 7.6 percent and 9.3 percent, respectively, at March 31, 2015, compared with 7.5 percent and 9.3 percent, respectively, at December 31, 2014. The Company s common equity tier 1 to risk-weighted assets ratio using the Basel III standardized approach as if fully implemented was 9.2 percent at March 31, 2015, compared with 9.0 percent at December 31, 2014. The Company s common equity tier 1 to risk-weighted assets ratio using the Basel III advanced approaches as if fully implemented was 11.8 percent at March 31, 2015 and December 31, 2014. Refer to Non-GAAP Financial Measures for further information regarding the calculation of these ratios.

On March 11, 2015, the Company announced its Board of Directors had approved an authorization to repurchase up to $3.022 billion of its common stock, from April 1, 2015 through June 30, 2016.

The following table provides a detailed analysis of all shares purchased by the Company or any affiliated purchaser during the first quarter of 2015:

Period (Dollars in Millions)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly	Approximate Dollar Value of Shares that May

				Announced Program (a)		Yet Be Purchased Under the Program (b)
January	5,732,967 (c)	$	42.81	5,507,967	$	284
February	4,447,058 (d)		44.33	4,247,058		95
March	2,103,214		44.25	2,103,214		
Total	12,283,239 (e)	$	43.61	11,858,239	$	

(a) All shares were purchased under the stock repurchase program announced on March 26, 2014.
(b) The dollar value of shares subject to the stock repurchase program announced on March 11, 2015 are not reflected in this column.
(c) Includes 225,000 shares of common stock purchased, at an average price per share of $41.34, 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 (the 401(k) Plan).
(d) Includes 200,000 shares of common stock purchased, at an average price per share of $42.55, in open-market transactions by U.S. Bank National Association in its capacity as trustee of the Company s 401(k) Plan.
(e) Includes 425,000 shares of common stock purchased, at an average price per share of $41.91, in open-market transactions by U.S. Bank National Association in its capacity as trustee of the Company s 401(k) Plan.

Refer to Management s Discussion and Analysis Capital Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on capital management.

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. Refer to Management s Discussion and Analysis Line of Business Financial Review in the Company s Annual Report on Form 10-K for the year ended December 31, 2014, for further discussion on the business lines basis for financial presentation.

Designations, assignments and allocations change from time to time as management systems are enhanced, methods of evaluating performance or product lines change or business segments are realigned to better respond to the Company s diverse customer base. During 2015, certain organization and methodology changes were made and, accordingly, 2014 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, 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 $219 million of the Company s net income in the first quarter of 2015, or a decrease of $56 million (20.4 percent) compared with the first quarter of 2014. The decrease was primarily driven by a higher provision for credit losses and an increase in noninterest expense, partially offset by higher net revenue.

Net revenue increased $6 million (0.8 percent) in the first quarter of 2015, compared with the first quarter of 2014. Net interest income, on a taxable-equivalent basis, increased $29 million (6.0 percent) in the first quarter of 2015, compared with the first quarter of 2014. The increase was primarily driven by increases in average loans and deposits, partially offset by lower rates and fees on loans. Noninterest income decreased $23 million (9.4 percent) in the first quarter of 2015, compared with the first quarter of 2014, driven by lower wholesale transaction activity and loan-related fees, along with lower commercial leasing revenue, partially offset by increased bond underwriting fees.

Noninterest expense increased $18 million (5.8 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily due to increases variable compensation expense and the FDIC insurance assessment allocation, based on the level of commitments. The provision for credit losses increased $77 million in the first quarter of 2015, compared with the first quarter of 2014, due to portfolio growth and an unfavorable change in the reserve allocation reflecting the recent decline in energy prices and higher net charge-offs. Nonperforming assets were $128 million at March 31, 2015, $183 million at December 31, 2014, and $313 million at March 31, 2014. Nonperforming assets as a percentage of period-end loans were 0.15 percent at March 31, 2015, 0.22 percent at December 31, 2014, and 0.41 percent at March 31, 2014. Refer to the Corporate Risk Profile section for further information on factors impacting the credit quality of the loan portfolios.

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 (collectively, the retail banking division), as well as mortgage banking. Consumer and Small Business Banking contributed $302 million of the Company s net income in the first quarter of 2015, or an increase of $14 million (4.9 percent) compared with the first quarter of 2014. The increase was due to a decrease in the provision for credit losses, partially offset by lower net revenue and higher noninterest expense. Within Consumer and Small Business Banking, the retail banking division contributed $199 million of the total net income in the first quarter of 2015, or an increase of $31 million (18.5 percent) over the first quarter of 2014, principally due to a lower provision for credit losses, partially offset by an increase in noninterest expense and lower net revenue. Mortgage banking contributed $103 million of Consumer and Small Business Banking s net income in

the first quarter of 2015, or a decrease of $17 million (14.2 percent) from the first quarter of 2014, reflecting an increase in noninterest expense and an increase in the provision for credit losses, partially offset by an increase in net revenue.

Net revenue decreased $36 million (2.1 percent) in the first quarter of 2015, compared with the first quarter of 2014. Net interest income, on a taxable-equivalent basis, decreased $41 million (3.8 percent) in the first quarter of 2015, compared with the first quarter of 2014. The decrease in net interest income was primarily due to lower loan fees due to the wind down of the CAA product and lower rates on loans, partially offset by higher average loan, deposit and loans held for sale balances. Noninterest income increased $5 million (0.8 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily the result of higher mortgage banking revenue and deposit service charges, partially offset by lower retail leasing revenue. The increase in mortgage banking revenue in the first quarter of 2015, compared with the first quarter of 2014, was primarily due to higher origination and sales volume, partially offset by an unfavorable change in the valuation of MSRs, net of hedging activities.

Noninterest expense increased $62 million (5.5 percent) in the first quarter of 2015, compared with the first quarter of 2014, the result of higher compensation, employee benefits and mortgage servicing-related expenses. The provision for credit losses decreased $121 million (91.0 percent) in the first quarter of 2015, compared with the first quarter of 2014. The decrease was due to lower net charge-offs and a favorable change in the reserve allocation, partially offset by higher loan balances. As a percentage of average loans outstanding on an annualized basis, net charge-offs decreased to 0.24 percent in the first quarter of 2015, compared with 0.46 percent in the first quarter of 2014. Nonperforming assets were $1.4 billion at March 31, 2015, December 31, 2014 and March 31, 2014. Nonperforming assets as a percentage of period-end loans were 1.10 percent at March 31, 2015 and December 31, 2014, and 1.09 percent at March 31, 2014. Refer to the Corporate Risk Profile section for further information on factors impacting the credit quality of the loan portfolios.

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 $59 million of the Company s net income in the first quarter of 2015, or an increase of $7 million (13.5 percent) compared with the first quarter of 2014. The increase was primarily due to higher net revenue, partially offset by higher noninterest expense.

Net revenue increased $29 million (6.9 percent) in the first quarter of 2015, compared with the first quarter of 2014. The increase was driven by higher noninterest income of $17 million (5.0 percent), reflecting the impact of account growth and improved market conditions, as well as higher net interest income, on a taxable-equivalent basis, of $12 million (15.0 percent), principally due to higher average loan and deposit balances and an increase in the margin benefit of corporate trust deposits.

Noninterest expense increased $15 million (4.4 percent) in the first quarter of 2015, compared with the first quarter of 2014. The increase was primarily due to

higher net shared services expense and higher compensation and employee benefits expenses due to merit increases and increased pension costs.

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 $262 million of the Company s net income in the first quarter of 2015, or an increase of $24

million (10.1 percent) compared with the first quarter of 2014. The increase was primarily due to higher net revenue, partially offset by higher noninterest expense.

Net revenue increased $53 million (4.5 percent) in the first quarter of 2015, compared with the first quarter of 2014. Net interest income, on a taxable-equivalent basis, increased $51 million (12.3 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily driven by higher average loan balances, higher loan-related fees and improved loan rates. Noninterest income increased $2 million (0.3 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily due to higher merchant processing services

revenue driven by increases in fee-based product revenue and transaction volumes, partially offset by the impact of foreign currency rate changes.

Noninterest expense increased $20 million (3.3 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily due to higher net shared services expense and higher employee benefits expense related to increased pension costs, partially offset by reductions in professional services, marketing and

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Table 11 Line of Business Financial Performance

Three Months Ended March 31, (Dollars in Millions)	Wholesale Banking and Commercial Real Estate 2015	2014	Percent Change	Consumer and Small Business Banking 2015	2014	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 513	$ 484	6.0%	$ 1,047	$ 1,088	(3.8)%
Noninterest income	221	244	(9.4)	623	618	.8
Securities gains (losses), net						
Total net revenue	734	728	.8	1,670	1,706	(2.1)
Noninterest expense	330	312	5.8	1,173	1,113	5.4
Other intangibles	1	1		10	8	25.0
Total noninterest expense	331	313	5.8	1,183	1,121	5.5
Income before provision and income taxes	403	415	(2.9)	487	585	(16.8)
Provision for credit losses	59	(18)	*	12	133	(91.0)
Income before income taxes	344	433	(20.6)	475	452	5.1
Income taxes and taxable-equivalent adjustment	125	158	(20.9)	173	164	5.5
Net income	219	275	(20.4)	302	288	4.9
Net (income) loss attributable to noncontrolling interests						
Net income attributable to U.S. Bancorp	$ 219	$ 275	(20.4)	$ 302	$ 288	4.9
Average Balance Sheet						
Commercial	$ 62,831	$ 54,485	15.3%	$ 9,649	$ 8,333	15.8%
Commercial real estate	21,697	20,573	5.5	19,198	18,622	3.1
Residential mortgages	17	22	(22.7)	49,796	50,294	(1.0)
Credit card						
Other retail	3	4	(25.0)	47,241	45,482	3.9
Total loans, excluding covered loans	84,548	75,084	12.6	125,884	122,731	2.6
Covered loans		245	*	5,163	6,049	(14.6)
Total loans	84,548	75,329	12.2	131,047	128,780	1.8
Goodwill	1,648	1,604	2.7	3,681	3,515	4.7
Other intangible assets	21	21		2,493	2,741	(9.0)
Assets	93,045	82,243	13.1	146,556	141,689	3.4
Noninterest-bearing deposits	34,794	32,183	8.1	24,863	21,981	13.1
Interest checking	7,706	10,464	(26.4)	39,019	34,880	11.9
Savings products	25,857	17,098	51.2	52,544	48,093	9.3
Time deposits	17,149	18,385	(6.7)	16,954	18,710	(9.4)
Total deposits	85,506	78,130	9.4	133,380	123,664	7.9
Total U.S. Bancorp shareholders equity	8,225	7,526	9.3	11,530	11,569	(.3)

* *Not meaningful*

other intangibles expenses. The provision for credit losses decreased $4 million (2.0 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily due to lower net charge-offs, partially offset by an unfavorable change in the reserve allocation. As a percentage of average loans outstanding, net charge-offs were 3.13 percent in the first quarter of 2015, compared with 3.35 percent in the first quarter of 2014.

Treasury and Corporate Support Treasury and Corporate Support includes the Company s investment portfolios, most covered commercial and commercial real estate loans and related other real estate owned, 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. Treasury and Corporate Support recorded net income of $589 million in the first quarter of 2015, compared with $544 million in the first quarter of 2014.

Net revenue increased $40 million (5.2 percent) in the first quarter of 2015, compared with the first quarter of 2014. Net interest income, on a taxable-equivalent basis, decreased $5 million (0.8 percent) in the first quarter of 2015, compared with the first quarter of 2014, principally due to lower income from the run-off of acquired covered assets, partially offset by growth in the investment portfolio. Noninterest income increased $45 million (34.1 percent) in the first quarter of 2015, compared with the first quarter of 2014, primarily due to higher commercial products revenue and equity investment gains.

Noninterest expense increased $6 million (3.6 percent) in the first quarter of 2015, compared with the first quarter of 2014, principally due to an increase in employee benefits expense resulting from higher pension costs, and increased mortgage servicing-related expenses, partially offset by lower costs related to investments in tax-advantaged projects. The provision for credit losses was $4 million (66.7 percent) higher due to an unfavorable change in the reserve allocation, partially offset by a decrease in net charge-offs.

Wealth Management and Securities Services			Payment Services			Treasury and Corporate Support			Consolidated Company		
2015	2014	Percent Change	2015	2014	Percent Change	2015	2014	Percent Change	2015	2014	Percent Change
$ 92	$ 80	15.0%	$ 465	$ 414	12.3%	$ 635	$ 640	(.8)%	$ 2,752	$ 2,706	1.7%
356	339	5.0	777	775	.3	177	127	39.4	2,154	2,103	2.4
							5	*		5	*
448	419	6.9	1,242	1,189	4.5	812	772	5.2	4,906	4,814	1.9
350	333	5.1	595	569	4.6	174	168	3.6	2,622	2,495	5.1
7	9	(22.2)	25	31	(19.4)				43	49	(12.2)
357	342	4.4	620	600	3.3	174	168	3.6	2,665	2,544	4.8
91	77	18.2	622	589	5.6	638	604	5.6	2,241	2,270	(1.3)
(2)	(4)	50.0	197	201	(2.0)	(2)	(6)	66.7	264	306	(13.7)
93	81	14.8	425	388	9.5	640	610	4.9	1,977	1,964	.7
34	29	17.2	155	141	9.9	46	60	(23.3)	533	552	(3.4)
59	52	13.5	270	247	9.3	594	550	8.0	1,444	1,412	2.3
			(8)	(9)	11.1	(5)	(6)	16.7	(13)	(15)	13.3
$ 59	$ 52	13.5	$ 262	$ 238	10.1	$ 589	$ 544	8.3	$ 1,431	$ 1,397	2.4
$ 2,292	$ 1,848	24.0%	$ 6,595	$ 5,997	10.0%	$ 141	$ 171	(17.5)%	$ 81,508	$ 70,834	15.1%
590	616	(4.2)				1,186	239	*	42,671	40,050	6.5
1,609	1,266	27.1				4	2	*	51,426	51,584	(.3)
			17,823	17,407	2.4				17,823	17,407	2.4
1,449	1,474	(1.7)	627	697	(10.0)				49,320	47,657	3.5
5,940	5,204	14.1	25,045	24,101	3.9	1,331	412	*	242,748	227,532	6.7
1	8	(87.5)		5	*	38	2,020	(98.1)	5,202	8,327	(37.5)
5,941	5,212	14.0	25,045	24,106	3.9	1,369	2,432	(43.7)	247,950	235,859	5.1
1,568	1,565	.2	2,481	2,519	(1.5)				9,378	9,203	1.9
137	171	(19.9)	425	507	(16.2)		1	*	3,076	3,441	(10.6)
9,178	8,227	11.6	30,988	30,370	2.0	122,069	101,783	19.9	401,836	364,312	10.3
12,714	14,716	(13.6)	892	698	27.8	1,248	1,246	.2	74,511	70,824	5.2
7,345	5,420	35.5	587	540	8.7	1	1		54,658	51,305	6.5
31,318	27,080	15.6	87	70	24.3	116	103	12.6	109,922	92,444	18.9
2,996	4,163	(28.0)				2,270	1,648	37.7	39,369	42,906	(8.2)
54,373	51,379	5.8	1,566	1,308	19.7	3,635	2,998	21.2	278,460	257,479	8.1
2,298	2,296	.1	5,780	5,668	2.0	16,245	14,702	10.5	44,078	41,761	5.5

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 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 includes unrealized gains and losses related to available-for-sale securities and excludes preferred securities, including preferred stock, the nature and extent of which varies among different financial services companies. These 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 measures disclosed by the Company may be considered non-GAAP financial measures.

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

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

(Dollars in Millions)	March 31, 2015	December 31, 2014
Total equity	$ 44,965	$ 44,168
Preferred stock	(4,756)	(4,756)
Noncontrolling interests	(688)	(689)
Goodwill (net of deferred tax liability) (1)	(8,360)	(8,403)
Intangible assets, other than mortgage servicing rights	(783)	(824)
Tangible common equity (a)	30,378	29,496
Tangible common equity (as calculated above)	30,378	29,496
Adjustments (2)	158	172
Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches (b)	30,536	29,668
Total assets	410,233	402,529
Goodwill (net of deferred tax liability) (1)	(8,360)	(8,403)
Intangible assets, other than mortgage servicing rights	(783)	(824)
Tangible assets (c)	401,090	393,302
Risk-weighted assets, determined in accordance with prescribed regulatory requirements (d)	327,709	317,398
Adjustments (3)	3,153	11,110
Risk-weighted assets estimated for the Basel III fully implemented standardized approach (e)	330,862	328,508
Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements	254,892	248,596
Adjustments (4)	3,321	3,270
Risk-weighted assets estimated for the Basel III fully implemented advanced approaches (f)	258,213	251,866
Ratios		
Tangible common equity to tangible assets (a)/(c)	7.6%	7.5%
Tangible common equity to risk-weighted assets (a)/(d)	9.3	9.3
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (b)/(e)	9.2	9.0
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (b)/(f)	11.8	11.8

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

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

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

(4) Primarily reflects higher risk-weighting for mortgage servicing rights.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company comply with accounting principles generally accepted in the United States and conform to general practices within the banking industry. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. The Company s financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding the Company s financial statements. Critical accounting policies are those policies management believes are the most important to the portrayal of the Company s financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Those policies considered to be critical accounting policies relate to the allowance for credit losses, fair value estimates, purchased loans and related indemnification assets, MSRs, goodwill and other intangibles and income taxes. Management has discussed the development and the selection of critical accounting policies with the Company s Audit Committee. These accounting policies are discussed in detail in Management s Discussion and Analysis Critical Accounting Policies and the Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

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.

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U.S. Bancorp

Consolidated Balance Sheet

(Dollars in Millions)	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	$ 14,072	$ 10,654
Investment securities		
Held-to-maturity (fair value $46,022 and $45,140, respectively; including $566 and $526 at fair value pledged as collateral, respectively) (a)	45,597	44,974
Available-for-sale ($390 and $330 pledged as collateral, respectively) (a)	56,826	56,069
Loans held for sale (including $4,977 and $4,774 of mortgage loans carried at fair value, respectively)	8,012	4,792
Loans		
Commercial	82,732	80,377
Commercial real estate	42,409	42,795
Residential mortgages	51,089	51,619
Credit card	17,504	18,515
Other retail	46,449	49,264
Total loans, excluding covered loans	240,183	242,570
Covered loans	5,118	5,281
Total loans	245,301	247,851
Less allowance for loan losses	(4,023)	(4,039)
Net loans	241,278	243,812
Premises and equipment	2,575	2,618
Goodwill	9,363	9,389
Other intangible assets	3,033	3,162
Other assets (including $234 and $157 of trading securities at fair value pledged as collateral, respectively) (a)	29,477	27,059
Total assets	$ 410,233	$ 402,529
Liabilities and Shareholders Equity		
Deposits		
Noninterest-bearing	$ 79,220	$ 77,323
Interest-bearing	179,853	177,452
Time deposits greater than $100,000 (b)	27,528	27,958
Total deposits	286,601	282,733
Short-term borrowings	28,226	29,893
Long-term debt	35,104	32,260
Other liabilities	15,337	13,475
Total liabilities	365,268	358,361
Shareholders equity		
Preferred stock	4,756	4,756
Common stock, par value $0.01 a share authorized: 4,000,000,000 shares; issued: 3/31/15 and 12/31/14 2,125,725,742 shares	21	21

Capital surplus	8,315	8,313
Retained earnings	43,463	42,530
Less cost of common stock in treasury: 3/31/15 345,721,162 shares; 12/31/14 339,859,034 shares	(11,564)	(11,245)
Accumulated other comprehensive income (loss)	(714)	(896)
Total U.S. Bancorp shareholders equity	44,277	43,479
Noncontrolling interests	688	689
Total equity	44,965	44,168
Total liabilities and equity	$ 410,233	$ 402,529

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

(b) Includes domestic time deposit balances greater than $250,000 of $6.0 billion and $5.0 billion at March 31, 2015, and December 31, 2014, respectively.

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

Consolidated Statement of Income

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended March 31,	
(Unaudited)	2015	2014
Interest Income		
Loans	$ 2,493	$ 2,522
Loans held for sale	41	27
Investment securities	495	441
Other interest income	32	32
Total interest income	3,061	3,022
Interest Expense		
Deposits	118	119
Short-term borrowings	61	69
Long-term debt	184	184
Total interest expense	363	372
Net interest income	2,698	2,650
Provision for credit losses	264	306
Net interest income after provision for credit losses	2,434	2,344
Noninterest Income		
Credit and debit card revenue	241	239
Corporate payment products revenue	170	173
Merchant processing services	359	356
ATM processing services	78	78
Trust and investment management fees	322	304
Deposit service charges	161	157
Treasury management fees	137	133
Commercial products revenue	200	205
Mortgage banking revenue	240	236
Investment products fees	47	46
Realized securities gains (losses), net		5
Other	199	176
Total noninterest income	2,154	2,108
Noninterest Expense		
Compensation	1,179	1,115
Employee benefits	317	289
Net occupancy and equipment	247	249
Professional services	77	83
Marketing and business development	70	79
Technology and communications	214	211
Postage, printing and supplies	82	81
Other intangibles	43	49

Other	436	388
Total noninterest expense	2,665	2,544
Income before income taxes	1,923	1,908
Applicable income taxes	479	496
Net income	1,444	1,412
Net (income) loss attributable to noncontrolling interests	(13)	(15)
Net income attributable to U.S. Bancorp	$ 1,431	$ 1,397
Net income applicable to U.S. Bancorp common shareholders	$ 1,365	$ 1,331
Earnings per common share	$ .77	$ .73
Diluted earnings per common share	$ .76	$ .73
Dividends declared per common share	$ .245	$ .230
Average common shares outstanding	1,781	1,818
Average diluted common shares outstanding	1,789	1,828

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

Consolidated Statement of Comprehensive Income

(Dollars in Millions)	Three Months Ended March 31,	
(Unaudited)	2015	2014
Net income	$ 1,444	$ 1,412
Other Comprehensive Income (Loss)		
Changes in unrealized gains and losses on securities available-for-sale	208	301
Changes in unrealized gains and losses on derivative hedges	(28)	(11)
Foreign currency translation	17	(4)
Reclassification to earnings of realized gains and losses	99	73
Income taxes related to other comprehensive income	(114)	(138)
Total other comprehensive income (loss)	182	221
Comprehensive income	1,626	1,633
Comprehensive (income) loss attributable to noncontrolling interests	(13)	(15)
Comprehensive income attributable to U.S. Bancorp	$ 1,613	$ 1,618

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

Consolidated Statement of Shareholders Equity

(Dollars and Shares in Millions) (Unaudited)	Common Shares Outstanding	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total U.S. Bancorp Shareholders Equity	Noncontrolling Interests	Total Equity
	U.S. Bancorp Shareholders									
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)					1,397			1,397	15	1,412
Other comprehensive income (loss)							221	221		221
Preferred stock dividends					(60)			(60)		(60)
Common stock dividends					(420)			(420)		(420)
Issuance of common and treasury stock	8			(20)		265		245		245
Purchase of treasury stock	(12)					(482)		(482)		(482)
Distributions to noncontrolling interests									(15)	(15)
Net other changes in noncontrolling interests									(5)	(5)
Stock option and restricted stock grants				40				40		40
Balance March 31, 2014	1,821	$ 4,756	$ 21	$ 8,236	$ 39,584	$ (9,693)	$ (850)	$ 42,054	$ 689	$ 42,743
Balance December 31, 2014	1,786	$ 4,756	$ 21	$ 8,313	$ 42,530	$ (11,245)	$ (896)	$ 43,479	$ 689	$ 44,168
Net income (loss)					1,431			1,431	13	1,444
Other comprehensive income (loss)							182	182		182
Preferred stock dividends					(60)			(60)		(60)
Common stock dividends					(438)			(438)		(438)
Issuance of common and treasury stock	6			(43)		199		156		156
Purchase of treasury stock	(12)					(518)		(518)		(518)

Distributions to noncontrolling interests									(14)	(14)
Net other changes in noncontrolling interests										
Stock option and restricted stock grants				45				45		45
Balance March 31, 2015	1,780	$ 4,756	$ 21	$ 8,315	$ 43,463	$ (11,564)	$ (714)	$ 44,277	$ 688	$ 44,965

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

Consolidated Statement of Cash Flows

(Dollars in Millions) (Unaudited)	Three Months Ended March 31, 2015	2014
Operating Activities		
Net income attributable to U.S. Bancorp	$ 1,431	$ 1,397
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	264	306
Depreciation and amortization of premises and equipment	77	74
Amortization of intangibles	43	49
(Gain) loss on sale of loans held for sale	(259)	(174)
(Gain) loss on sale of securities and other assets	(63)	(24)
Loans originated for sale in the secondary market, net of repayments	(10,008)	(5,419)
Proceeds from sales of loans held for sale	9,885	7,027
Other, net	381	(464)
Net cash provided by operating activities	1,751	2,772
Investing Activities		
Proceeds from sales of available-for-sale investment securities	123	295
Proceeds from maturities of held-to-maturity investment securities	2,334	2,559
Proceeds from maturities of available-for-sale investment securities	3,100	1,230
Purchases of held-to-maturity investment securities	(2,977)	(4,369)
Purchases of available-for-sale investment securities	(3,783)	(5,062)
Net increase in loans outstanding	(843)	(3,146)
Proceeds from sales of loans	441	174
Purchases of loans	(492)	(548)
Other, net	(404)	222
Net cash used in investing activities	(2,501)	(8,645)
Financing Activities		
Net increase (decrease) in deposits	3,868	(1,511)
Net increase (decrease) in short-term borrowings	(1,667)	3,173
Proceeds from issuance of long-term debt	3,322	4,815
Principal payments or redemption of long-term debt	(543)	(994)
Proceeds from issuance of common stock	152	236
Repurchase of common stock	(464)	(433)
Cash dividends paid on preferred stock	(61)	(61)
Cash dividends paid on common stock	(439)	(421)
Net cash provided by financing activities	4,168	4,804
Change in cash and due from banks	3,418	(1,069)
Cash and due from banks at beginning of period	10,654	8,477
Cash and due from banks at end of period	$ 14,072	$ 7,408

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States. In the opinion of management of U.S. Bancorp (the Company), all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of results for the interim periods have been made. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014. Certain amounts in prior periods have been reclassified to conform to the current presentation.

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

Note 2 Accounting Changes

Revenue Recognition In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance, effective for the Company on January 1, 2017, related to revenue recognition from contracts with customers, which amends certain currently existing revenue recognition accounting guidance. The guidance 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 is currently evaluating the impact of this guidance under the modified retrospective approach and expects the adoption will not be material to its financial statements.

Consolidation In February 2015, the FASB issued accounting guidance, effective for the Company on January 1, 2016, with early adoption permitted, related to the analysis required by organizations to evaluate whether they should consolidate certain legal entities. The Company expects the adoption of this guidance will not be material to its financial statements.

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Note 3 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 were as follows:

	March 31, 2015					December 31, 2014				
			Unrealized Losses					Unrealized Losses		
(Dollars in Millions)	Amortized Cost	Unrealized Gains	Other-than-Temporary (e)	Other (f)	Fair Value	Amortized Cost	Unrealized Gains	Other-than-Temporary (e)	Other (f)	Fair Value
Held-to-maturity (a)										
U.S. Treasury and agencies	$ 2,744	$ 34	$	$ (4)	$ 2,774	$ 2,717	$ 15	$	$ (18)	$ 2,714
Mortgage-backed securities										
Residential										
Agency	42,800	471		(85)	43,186	42,204	335		(176)	42,363
Non-agency non-prime (d)	1				1	1				1
Asset-backed securities										
Collateralized debt obligations/ Collateralized loan obligations		7			7		7			7
Other	13	4	(1)		16	13	4			17
Obligations of state and political subdivisions	9	1		(1)	9	9	1		(1)	9
Obligations of foreign governments	9				9	9				9
Other debt securities	21			(1)	20	21			(1)	20
Total held-to-maturity	$ 45,597	$ 517	$ (1)	$ (91)	$ 46,022	$ 44,974	$ 362	$	$ (196)	$ 45,140
Available-for-sale (b)										
U.S. Treasury and agencies	$ 2,560	$ 32	$	$	$ 2,592	$ 2,622	$ 14	$	$ (4)	$ 2,632
Mortgage-backed securities										
Residential										
Agency	45,506	658		(134)	46,030	44,668	593		(244)	45,017
Non-agency										
Prime (c)	380	9	(2)	(2)	385	399	9	(2)	(1)	405
Non-prime (d)	254	20	(1)		273	261	20	(1)		280
Commercial agency	101	2			103	112	3			115
Asset-backed securities										
Collateralized debt obligations/ Collateralized loan obligations	18	4			22	18	4			22
Other	603	13			616	607	13		(1)	619
Obligations of state and political subdivisions	5,477	260		(2)	5,735	5,604	265		(1)	5,868

Obligations of foreign governments						6				6
Corporate debt securities	690	6		(68)	628	690	3		(79)	614
Perpetual preferred securities	156	29		(9)	176	200	27		(10)	217
Other investments	236	30			266	245	29			274
Total available-for-sale	$ 55,981	$ 1,063	$ (3)	$ (215)	$ 56,826	$ 55,432	$ 980	$ (3)	$ (340)	$ 56,069

(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 4.1 years at March 31, 2015, compared with 4.3 years at December 31, 2014. The corresponding weighted-average yields were 2.29 percent and 2.32 percent, respectively. The weighted-average maturity of the held-to-maturity investment securities was 3.8 years at March 31, 2015, and 4.0 years December 31, 2014. The corresponding weighted-average yields were 1.90 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 March 31, 2015, refer to Table 4 included in Management s Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

Investment securities with a fair value of $12.5 billion at March 31, 2015, and $12.6 billion at December 31, 2014, 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 delivered under these types of arrangements had a fair value of $956 million at March 31, 2015, and $856 million at December 31, 2014.

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

Three Months Ended March 31,		
(Dollars in Millions)	2015	2014
Taxable	$ 436	$ 381
Non-taxable	59	60
Total interest income from investment securities	$ 495	$ 441

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

Three Months Ended March 31,		
(Dollars in Millions)	2015	2014
Realized gains	$ 1	$ 5
Realized losses	(1)	
Net realized gains (losses)	$	$ 5
Income tax (benefit) on net realized gains (losses)	$	$ 2

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, 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 then temporary impairment recorded was immaterial for the three months ended March 31, 2015 and 2014.

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

Three Months Ended March 31,		
(Dollars in Millions)	2015	2014
Balance at beginning of period	$ 101	$ 116
Increases in expected cash flows	(2)	(2)
Realized losses (a)	(3)	(3)
Balance at end of period	$ 96	$ 111

(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.

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At March 31, 2015, 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 March 31, 2015:

(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	$ 439	$ (2)	$ 114	$ (2)	$ 553	$ (4)
Residential agency mortgage-backed securities	2,907	(9)	5,171	(76)	8,078	(85)
Other asset-backed securities			6	(1)	6	(1)
Obligations of state and political subdivisions	2	(1)			2	(1)
Other debt securities			20	(1)	20	(1)
Total held-to-maturity	$ 3,348	$ (12)	$ 5,311	$ (80)	$ 8,659	$ (92)
Available-for-sale						
U.S. Treasury and agencies	$ 215	$	$ 108	$	$ 323	$
Residential mortgage-backed securities						
Agency	4,282	(16)	7,253	(118)	11,535	(134)
Non-agency (a)						
Prime (b)	82	(1)	66	(3)	148	(4)
Non-prime (c)	17		20	(1)	37	(1)
Other asset-backed securities			3		3	
Obligations of state and political subdivisions	92	(2)			92	(2)
Corporate debt securities			440	(68)	440	(68)
Perpetual preferred securities			76	(9)	76	(9)
Total available-for-sale	$ 4,688	$ (19)	$ 7,966	$ (199)	$ 12,654	$ (218)

(a) The Company has $5 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 corporate debt issued with high investment grade credit ratings or agency mortgage-backed 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 March 31, 2015, 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.

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Note 4 Loans and Allowance for Credit Losses

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

	March 31, 2015		December 31, 2014	
(Dollars in Millions)	Amount	Percent of Total	Amount	Percent of Total
Commercial				
Commercial	$ 77,394	31.5%	$ 74,996	30.2%
Lease financing	5,338	2.2	5,381	2.2
Total commercial	82,732	33.7	80,377	32.4
Commercial Real Estate				
Commercial mortgages	32,755	13.4	33,360	13.5
Construction and development	9,654	3.9	9,435	3.8
Total commercial real estate	42,409	17.3	42,795	17.3
Residential Mortgages				
Residential mortgages	38,153	15.5	38,598	15.6
Home equity loans, first liens	12,936	5.3	13,021	5.2
Total residential mortgages	51,089	20.8	51,619	20.8
Credit Card	17,504	7.2	18,515	7.5
Other Retail				
Retail leasing	5,796	2.3	5,871	2.4
Home equity and second mortgages	15,859	6.5	15,916	6.4
Revolving credit	3,233	1.3	3,309	1.3
Installment	6,345	2.6	6,242	2.5
Automobile	15,216	6.2	14,822	6.0
Student (a)			3,104	1.3
Total other retail	46,449	18.9	49,264	19.9
Total loans, excluding covered loans	240,183	97.9	242,570	97.9
Covered Loans	5,118	2.1	5,281	2.1
Total loans	$ 245,301	100.0%	$ 247,851	100.0%

(a) Effective March 31, 2015, the Company transferred all of its student loans to loans held for sale.

The Company had loans of $79.1 billion at March 31, 2015, and $79.8 billion at December 31, 2014, pledged at the Federal Home Loan Bank (FHLB), and loans of $63.5 billion at March 31, 2015, and $61.8 billion at December 31, 2014, pledged at the Federal Reserve Bank.

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 $535 million at March 31, 2015, and $574 million at December 31, 2014. All purchased loans and related indemnification assets are recorded at fair value at the date of purchase. The Company evaluates purchased loans for impairment at the date of purchase in accordance with applicable authoritative accounting guidance. Purchased loans with evidence of credit deterioration since origination for which it is probable that all contractually required payments will not be collected are considered purchased impaired loans. All other purchased loans are considered purchased nonimpaired loans.

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

Three Months Ended March 31, (Dollars in Millions)	2015	2014
Balance at beginning of period	$ 1,309	$ 1,655
Accretion	(98)	(111)
Disposals	(27)	(40)
Reclassifications from nonaccretable difference (a)	5	81
Other	(2)	(1)
Balance at end of period	$ 1,187	$ 1,584

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

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 Federal Deposit Corporation (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 14-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 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 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, internal review and other relevant business practices; 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

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liability for off-balance sheet credit exposure related to loan commitments and other credit guarantees is included in other liabilities. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments.

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

(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, 2014	$ 1,146	$ 726	$ 787	$ 880	$ 771	$ 4,310	$ 65	$ 4,375
Add								
Provision for credit losses	98	(23)	12	154	23	264		264
Deduct								
Loans charged off	74	5	41	182	81	383		383
Less recoveries of loans charged off	(31)	(23)	(6)	(19)	(25)	(104)		(104)
Net loans charged off	43	(18)	35	163	56	279		279
Other changes (a)	(1)					(1)	(8)	(9)
Balance at March 31, 2015	$ 1,200	$ 721	$ 764	$ 871	$ 738	$ 4,294	$ 57	$ 4,351
Balance at December 31, 2013	$ 1,075	$ 776	$ 875	$ 884	$ 781	$ 4,391	$ 146	$ 4,537
Add								
Provision for credit losses	52	(37)	44	170	80	309	(3)	306
Deduct								
Loans charged off	63	8	61	184	100	416	6	422
Less recoveries of loans charged off	(27)	(11)	(4)	(14)	(24)	(80)	(1)	(81)
Net loans charged off	36	(3)	57	170	76	336	5	341
Other changes (a)							(5)	(5)
Balance at March 31, 2014	$ 1,091	$ 742	$ 862	$ 884	$ 785	$ 4,364	$ 133	$ 4,497

(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 March 31, 2015 Related to								
Loans individually evaluated for impairment (a)	$ 4	$ 3	$	$	$	$ 7	$	$ 7

TDRs collectively evaluated for impairment	10	8	315	58	38	429	2	431
Other loans collectively evaluated for impairment	1,186	683	449	813	700	3,831	2	3,833
Loans acquired with deteriorated credit quality		27				27	53	80
Total allowance for credit losses	$ 1,200	$ 721	$ 764	$ 871	$ 738	$ 4,294	$ 57	$ 4,351
Allowance Balance at December 31, 2014 Related to								
Loans individually evaluated for impairment (a)	$ 5	$ 4	$	$	$	$ 9	$	$ 9
TDRs collectively evaluated for impairment	12	12	319	61	41	445	4	449
Other loans collectively evaluated for impairment	1,129	678	468	819	730	3,824	1	3,825
Loans acquired with deteriorated credit quality		32				32	60	92
Total allowance for credit losses	$ 1,146	$ 726	$ 787	$ 880	$ 771	$ 4,310	$ 65	$ 4,375

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

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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
March 31, 2015								
Loans individually evaluated for impairment (a)	$ 124	$ 98	$ 13	$	$	$ 235	$	$ 235
TDRs collectively evaluated for impairment	120	282	4,537	226	229	5,394	33	5,427
Other loans collectively evaluated for impairment	82,487	41,608	46,538	17,278	46,220	234,131	2,357	236,488
Loans acquired with deteriorated credit quality	1	421	1			423	2,728	3,151
Total loans	$ 82,732	$ 42,409	$ 51,089	$ 17,504	$ 46,449	$ 240,183	$ 5,118	$ 245,301
December 31, 2014								
Loans individually evaluated for impairment (a)	$ 159	$ 128	$ 12	$	$	$ 299	$	$ 299
TDRs collectively evaluated for impairment	124	393	4,653	240	237	5,647	34	5,681
Other loans collectively evaluated for impairment	80,093	41,744	46,953	18,275	49,027	236,092	2,463	238,555
Loans acquired with deteriorated credit quality	1	530	1			532	2,784	3,316
Total loans	$ 80,377	$ 42,795	$ 51,619	$ 18,515	$ 49,264	$ 242,570	$ 5,281	$ 247,851

(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 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.

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 considered uncollectible.

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

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

Covered loans not considered to be purchased impaired are evaluated for delinquency, nonaccrual status and charge-off consistent with the class of loan they would be included in had the loss share coverage not been in place. Generally, purchased impaired loans are considered accruing loans. However, the timing and amount of future cash

flows for some loans is not reasonably estimable, and those loans are classified as nonaccrual loans with interest income not recognized until the timing and amount of the future cash flows can be reasonably estimated.

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

(Dollars in Millions)	Current	Accruing 30-89 Days Past Due	90 Days or More Past Due	Nonperforming	Total
March 31, 2015					
Commercial	$ 82,406	$ 194	$ 45	$ 87	$ 82,732
Commercial real estate	42,062	101	29	217	42,409
Residential mortgages (a)	49,906	188	170	825	51,089
Credit card	17,070	203	209	22	17,504
Other retail	46,016	178	68	187	46,449
Total loans, excluding covered loans	237,460	864	521	1,338	240,183
Covered loans	4,679	68	359	12	5,118
Total loans	$ 242,139	$ 932	$ 880	$ 1,350	$ 245,301
December 31, 2014					
Commercial	$ 79,977	$ 247	$ 41	$ 112	$ 80,377
Commercial real estate	42,406	110	20	259	42,795
Residential mortgages (a)	50,330	221	204	864	51,619
Credit card	18,046	229	210	30	18,515
Other retail	48,764	238	75	187	49,264
Total loans, excluding covered loans	239,523	1,045	550	1,452	242,570
Covered loans	4,804	68	395	14	5,281
Total loans	$ 244,327	$ 1,113	$ 945	$ 1,466	$ 247,851

(a) At March 31, 2015, $362 million of loans 30 89 days past due and $3.0 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 Department of Veterans Affairs, were classified as current, compared with $431 million and $3.1 billion at December 31, 2014, respectively.

At March 31, 2015, the amount of foreclosed residential real estate held by the Company, and included in other real estate owned, was $282 million ($245 million excluding covered assets), compared with $270 million ($233 million excluding covered assets) at December 31, 2014. This excludes $675 million and $641 million at March 31, 2015 and December 31, 2014, respectively, of foreclosed residential real estate related to mortgage loans whose payments are primarily insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. In addition, the amount of residential mortgage loans secured by residential real estate in the process of foreclosure at March 31, 2015 and December 31, 2014, was $2.9 billion, of which $2.1 billion 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 Department of Veterans Affairs.

The Company classifies its loan portfolios using internal credit quality ratings on a quarterly basis. These ratings include: pass, special mention and classified, and are an important part of the Company s overall credit risk management process and evaluation of the allowance for credit losses. Loans with a pass rating represent those 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.

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

		Criticized			
(Dollars in Millions)	Pass	Special Mention	Classified (a)	Total Criticized	Total
March 31, 2015					
Commercial (b)	$ 79,837	$ 1,956	$ 939	$ 2,895	$ 82,732
Commercial real estate	41,064	382	963	1,345	42,409
Residential mortgages (c)	50,009	6	1,074	1,080	51,089
Credit card	17,273		231	231	17,504
Other retail	46,128	12	309	321	46,449
Total loans, excluding covered loans	234,311	2,356	3,516	5,872	240,183
Covered loans	5,010		108	108	5,118
Total loans	$ 239,321	$ 2,356	$ 3,624	$ 5,980	$ 245,301
Total outstanding commitments	$ 500,488	$ 4,095	$ 4,309	$ 8,404	$ 508,892
December 31, 2014					
Commercial (b)	$ 78,409	$ 1,204	$ 764	$ 1,968	$ 80,377
Commercial real estate	41,322	451	1,022	1,473	42,795
Residential mortgages (c)	50,479	5	1,135	1,140	51,619
Credit card	18,275		240	240	18,515
Other retail	48,932	20	312	332	49,264
Total loans, excluding covered loans	237,417	1,680	3,473	5,153	242,570
Covered loans	5,164		117	117	5,281
Total loans	$ 242,581	$ 1,680	$ 3,590	$ 5,270	$ 247,851
Total outstanding commitments	$ 501,535	$ 2,964	$ 4,179	$ 7,143	$ 508,678

(a) Classified rating on consumer loans primarily based on delinquency status.
(b) At March 31, 2015, $946 million of loans to customers in energy-related businesses had a special mention or classified rating, compared with $122 million at December 31, 2014.
(c) At March 31, 2015, $3.0 billion of GNMA loans 90 days or more past due and $2.2 billion of restructured GNMA loans whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs were classified with a pass rating, compared with $3.1 billion and $2.2 billion at December 31, 2014, respectively.

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

Factors used by the Company in determining whether all principal and interest payments due on commercial and commercial real estate loans will be collected and therefore whether those loans are impaired include, but are not limited to, the financial condition of the borrower, collateral and/or guarantees on the loan, and the borrower s estimated future ability to pay based on industry, geographic location and certain financial ratios. The evaluation of

impairment on residential mortgages, credit card loans and other retail loans is primarily driven by delinquency status of individual loans or whether a loan has been modified, and considers any government guarantee where applicable. Individual covered loans, whose future losses are covered by loss sharing agreements with the FDIC that substantially reduce the risk of credit losses to the Company, are evaluated for impairment and accounted for in a manner consistent with the class of loan they would have been included in had the loss sharing coverage not been in place.

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

(Dollars in Millions)	Period-end Recorded Investment (a)	Unpaid Principal Balance	Valuation Allowance	Commitments to Lend Additional Funds
March 31, 2015				
Commercial	$ 293	$ 817	$ 19	$ 38
Commercial real estate	476	1,104	17	14
Residential mortgages	2,676	3,423	270	
Credit card	226	226	57	
Other retail	351	553	41	4
Total impaired loans, excluding GNMA and covered loans	4,022	6,123	404	56
Loans purchased from GNMA mortgage pools	2,157	2,157	49	
Covered loans	41	52	3	1
Total	$ 6,220	$ 8,332	$ 456	$ 57
December 31, 2014				
Commercial	$ 329	$ 769	$ 21	$ 51
Commercial real estate	624	1,250	23	18
Residential mortgages	2,730	3,495	273	
Credit card	240	240	61	
Other retail	361	570	44	4
Total impaired loans, excluding GNMA and covered loans	4,284	6,324	422	73
Loans purchased from GNMA mortgage pools	2,244	2,244	50	
Covered loans	43	55	4	1
Total	$ 6,571	$ 8,623	$ 476	$ 74

(a) Substantially all loans classified as impaired at March 31, 2015 and December 31, 2014, had an associated allowance for credit losses.

Additional information on impaired loans follows:

Three Months Ended March 31,	2015		2014	
(Dollars in Millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial	$ 311	$ 2	$ 417	$ 2
Commercial real estate	550	3	660	9
Residential mortgages	2,703	33	2,753	35
Credit card	233	2	300	3
Other retail	355	4	388	4
Total impaired loans, excluding GNMA and covered loans	4,152	44	4,518	53

Loans purchased from GNMA mortgage pools	2,201	25	2,662	33
Covered loans	42		435	5
Total	$ 6,395	$ 69	$ 7,615	$ 91

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.

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

Three Months Ended March 31, (Dollars in Millions)	2015 Number of Loans	2015 Pre-Modification Outstanding Loan Balance	2015 Post-Modification Outstanding Loan Balance	2014 Number of Loans	2014 Pre-Modification Outstanding Loan Balance	2014 Post-Modification Outstanding Loan Balance
Commercial	359	$ 23	$ 23	619	$ 79	$ 77
Commercial real estate	25	13	13	15	11	8
Residential mortgages	374	51	51	528		