US BANCORP \DE\
Form 10-Q
May 06, 2011

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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, 2011

OR

o **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 o

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 o

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 o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

YES o 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, 2011
Common Stock, $.01 Par Value	1,926,650,215 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 made. 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. Global and domestic economies could fail to recover from the recent economic downturn or could experience another severe contraction, which 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. Continued stress in the commercial real estate markets, as well as a delay or failure of recovery in the residential real estate markets, could cause additional credit losses and deterioration in asset values. In addition, U.S. Bancorp s business and financial performance is likely to be impacted by effects of recently enacted and future legislation and regulation. U.S. Bancorp s results could also be adversely affected by continued 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; increased competition from both banks and non-banks; changes in customer behavior and preferences; 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, interest rate risk, and liquidity 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, 2010, 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. Forward-looking statements speak only as of the date they are made, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

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Table 1 Selected Financial Data

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended March 31, 2011	2010	Percent Change
Condensed Income Statement			
Net interest income (taxable-equivalent basis) (a)	$ 2,507	$ 2,403	4.3%
Noninterest income	2,017	1,952	3.3
Securities gains (losses), net	(5)	(34)	85.3
Total net revenue	4,519	4,321	4.6
Noninterest expense	2,314	2,136	8.3
Provision for credit losses	755	1,310	(42.4)
Income before taxes	1,450	875	65.7
Taxable-equivalent adjustment	55	51	7.8
Applicable income taxes	366	161	*
Net income	1,029	663	55.2
Net (income) loss attributable to noncontrolling interests	17	6	*
Net income attributable to U.S. Bancorp	$ 1,046	$ 669	56.4
Net income applicable to U.S. Bancorp common shareholders	$ 1,003	$ 648	54.8
Per Common Share			
Earnings per share	$ .52	$ .34	52.9%
Diluted earnings per share	.52	.34	52.9
Dividends declared per share	.125	.050	*
Book value per share	14.83	13.16	12.7
Market value per share	26.43	25.88	2.1
Average common shares outstanding	1,918	1,910	.4
Average diluted common shares outstanding	1,928	1,919	.5
Financial Ratios			
Return on average assets	1.38%	.96%	
Return on average common equity	14.5	10.5	
Net interest margin (taxable-equivalent basis) (a)	3.69	3.90	
Efficiency ratio (b)	51.1	49.0	
Average Balances			
Loans	$ 197,570	$ 192,878	2.4%
Loans held for sale	6,104	3,932	55.2
Investment securities	56,405	46,211	22.1
Earning assets	273,940	248,828	10.1
Assets	307,896	281,722	9.3
Noninterest-bearing deposits	44,189	38,000	16.3
Deposits	204,305	182,531	11.9

Short-term borrowings	32,203	32,551	(1.1)
Long-term debt	31,567	32,456	(2.7)
Total U.S. Bancorp shareholders equity	30,009	26,414	13.6

	March 31, 2011	December 31, 2010	
Period End Balances			
Loans	$ 198,038	$ 197,061	.5%
Allowance for credit losses	5,498	5,531	(.6)
Investment securities	60,461	52,978	14.1
Assets	311,462	307,786	1.2
Deposits	208,293	204,252	2.0
Long-term debt	31,775	31,537	.8
Total U.S. Bancorp shareholders equity	30,507	29,519	3.3
Capital ratios			
Tier 1 capital	10.8%	10.5%	
Total risk-based capital	13.8	13.3	
Leverage	9.0	9.1	
Tier 1 common equity to risk-weighted assets using Basel I definition (c)	8.2	7.8	
Tier 1 common equity to risk-weighted assets using anticipated Basel III definition (c)	7.7		
Tangible common equity to tangible assets (c)	6.3	6.0	
Tangible common equity to risk-weighted assets (c)	7.6	7.2	

* *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) *See Non-Regulatory Capital Ratios beginning on page 24.*

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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 $1.0 billion for the first quarter of 2011, or $.52 per diluted common share, compared with $669 million, or $.34 per diluted common share for the first quarter of 2010. Return on average assets and return on average common equity were 1.38 percent and 14.5 percent, respectively, for the first quarter of 2011, compared with .96 percent and 10.5 percent, respectively, for the first quarter of 2010. Included in the first quarter of 2011 was a $46 million gain related to the acquisition of First Community Bank of New Mexico (FCB) in a transaction with the Federal Deposit Insurance Corporation (FDIC). The first quarter of 2010 results included net securities losses of $34 million. The provision for credit losses for the first quarter of 2011 was $50 million lower than net charge-offs, compared with $175 million in excess of net charge-offs for the first quarter of 2010.

Total net revenue, on a taxable-equivalent basis, for the first quarter of 2011 was $198 million (4.6 percent) higher than the first quarter of 2010, reflecting a 4.3 percent increase in net interest income and a 4.9 percent increase in total noninterest income. The increase in net interest income over a year ago was largely the result of an increase in average earning assets and continued growth in lower cost core deposit funding. Noninterest income increased over a year ago, primarily due to higher payments-related revenue, commercial products revenue and other income, as well as lower securities losses.

Total noninterest expense in the first quarter of 2011 was $178 million (8.3 percent) higher than the first quarter of 2010, primarily due to higher total compensation and employee benefits expense, including higher pension costs.

The provision for credit losses for the first quarter of 2011 was $755 million, or $555 million (42.4 percent) lower than the first quarter of 2010. Net charge-offs in the first quarter of 2011 were $805 million, compared with $1.1 billion in the first quarter of 2010. 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, was $2.5 billion in the first quarter of 2011, compared with $2.4 billion in the first quarter of 2010. The $104 million (4.3 percent) increase was primarily the result of growth in average earning assets and lower cost core deposit funding. Average earning assets were $25.1 billion (10.1 percent) higher in the first quarter of 2011, compared with the first quarter of 2010, driven by increases of $4.7 billion (2.4 percent) in average loans, $10.2 billion (22.1 percent) in average investment securities and $8.1 billion in average other earning assets, which included balances held at the Federal Reserve. The net interest margin in the first quarter of 2011 was 3.69 percent, compared with 3.90 percent in the first quarter of 2010. The decrease in the net interest margin reflected higher balances in lower yielding investment securities and growth in cash balances held at the Federal Reserve. Refer to the Consolidated Daily Average Balance Sheet and Related Yields and Rates tables for further information on net interest income.

Total average loans for the first quarter of 2011 were $4.7 billion (2.4 percent) higher than the first quarter of 2010, driven by growth in residential mortgages (20.3 percent), commercial loans (3.0 percent), commercial real estate loans (3.0 percent) and retail loans (1.0 percent), partially offset by a 17.6 percent decrease in loans covered by loss sharing agreements with the FDIC. The increases were driven by demand for loans and lines by new and existing credit-worthy borrowers and the impact of the FCB acquisition. Average loans acquired in FDIC-assisted transactions that are covered by loss sharing agreements with the FDIC (covered loans) were $17.6 billion in the first quarter of 2011, compared with $21.4 billion in the same period of 2010.

Average investment securities in the first quarter of 2011 were $10.2 billion (22.1 percent) higher than the first quarter of 2010, primarily due to purchases of U.S. Treasury and government agency-related securities, as the Company

increased its on-balance sheet liquidity in response to anticipated regulatory requirements.
Average total deposits for the first quarter of 2011 were $21.8 billion (11.9 percent) higher than the first

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Table 2 Noninterest Income

(Dollars in Millions)	Three Months Ended March 31, 2011	2010	Percent Change
Credit and debit card revenue	$ 267	$ 258	3.5%
Corporate payment products revenue	175	168	4.2
Merchant processing services	301	292	3.1
ATM processing services	112	105	6.7
Trust and investment management fees	256	264	(3.0)
Deposit service charges	143	207	(30.9)
Treasury management fees	137	137	
Commercial products revenue	191	161	18.6
Mortgage banking revenue	199	200	(.5)
Investment products fees and commissions	32	25	28.0
Securities gains (losses), net	(5)	(34)	85.3
Other	204	135	51.1
Total noninterest income	$ 2,012	$ 1,918	4.9%

quarter of 2010. Excluding deposits from acquisitions, first quarter 2011 average total deposits increased $13.2 billion (7.3 percent) over the first quarter of 2010. Average noninterest-bearing deposits for the first quarter of 2011 were $6.2 billion (16.3 percent) higher than the same period of 2010, primarily due to growth in Wholesale Banking and Commercial Real Estate and Consumer and Small Business Banking balances. Average total savings deposits were $14.7 billion (14.9 percent) higher in the first quarter of 2011, compared with the first quarter of 2010, primarily the result of growth in corporate trust balances, including the impact of the December 30, 2010 acquisition of the securitization trust administration business of Bank of America, N.A. (securitization trust acquisition), and Consumer and Small Business Banking balances. Average time certificates of deposit less than $100,000 were lower in the first quarter of 2011 by $3.1 billion (16.7 percent), compared with the first quarter of 2010, as a result of expected decreases in acquired certificates of deposit and decreases in Consumer and Small Business Banking balances. Average time deposits greater than $100,000 were $4.0 billion (14.5 percent) higher in the first quarter of 2011, compared with the first quarter of 2010, principally due to higher balances in Wholesale Banking and Commercial Real Estate and institutional and corporate trust, including the impact of the securitization trust acquisition, and the FCB acquisition.

Provision for Credit Losses The provision for credit losses for the first quarter of 2011 decreased $555 million (42.4 percent) from the first quarter of 2010. Net charge-offs decreased $330 million (29.1 percent) in the first quarter of 2011, compared with the first quarter of 2010, principally due to improvement in the commercial, commercial real estate, credit card and other retail loan portfolios. Delinquencies also decreased in most major loan categories in the first quarter of 2011, compared to the first quarter of 2010. The provision for credit losses was $50 million lower than net charge-offs in the first quarter of 2011, but exceeded net charge-offs by $175 million in the first quarter of 2010. 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 2011 was $2.0 billion, compared with $1.9 billion in the first quarter of 2010. The $94 million (4.9 percent) increase was due to higher payments-related revenues, principally due to increased transaction volumes and business expansion, and an increase in commercial products revenue attributable to higher standby letters of credit fees, commercial loan and syndication fees, foreign exchange income and other capital markets revenue. In addition, net securities losses decreased, primarily due to lower impairments in the current year, and other income increased principally due to the FCB gain and a gain related to the Company s investment in Visa Inc. recorded during the first quarter of 2011. Offsetting these positive variances was a decrease in deposit service charges from the prior year, primarily due to Company-initiated and regulatory revisions to overdraft fee policies, partially offset by core account growth. In addition, trust and investment management fees declined as a result of the transfer of the Company s long-term asset management business in the fourth quarter of 2010, partially offset by the positive impact of the securitization trust acquisition and improved market conditions.

Noninterest Expense Noninterest expense was $2.3 billion in the first quarter of 2011, compared with $2.1 billion in the first quarter of 2010, or an increase of $178 million (8.3 percent). The increase in noninterest expense from a year ago was principally due

Table 3 Noninterest Expense

(Dollars in Millions)	Three Months Ended March 31, 2011	2010	Percent Change
Compensation	$ 959	$ 861	11.4%
Employee benefits	230	180	27.8
Net occupancy and equipment	249	227	9.7
Professional services	70	58	20.7
Marketing and business development	65	60	8.3
Technology and communications	185	185	
Postage, printing and supplies	74	74	
Other intangibles	75	97	(22.7)
Other	407	394	3.3
Total noninterest expense	$ 2,314	$ 2,136	8.3%
Efficiency ratio (a)	51.1%	49.0%	

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

to increased total compensation and employee benefits expense. Total compensation increased primarily due to acquisitions, branch expansion and other business initiatives. Employee benefits expense increased due to higher pension and medical costs and the impact of additional staff. Net occupancy and equipment expense increased principally due to business expansion and technology initiatives. Professional services expense increased due to technology-related and other projects across multiple business lines. Other expense increased over the prior year primarily due to insurance and litigation matters. These increases were partially offset by a decrease in other intangibles expense due to the reduction or completion of the amortization of certain intangibles.

Income Tax Expense The provision for income taxes was $366 million (an effective rate of 26.2 percent) for the first quarter of 2011, compared with $161 million (an effective rate of 19.5 percent) for the first quarter of 2010. The increase in the effective tax rate for the first quarter of 2011, compared with the same period of the prior year, principally reflected the marginal impact of higher pretax earnings year-over-year. For further information on income taxes, refer to Note 10 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company s total loan portfolio was $198.0 billion at March 31, 2011, compared with $197.1 billion at December 31, 2010, an increase of $977 million (.5 percent). The increase was driven primarily by increases in most major loan categories, partially offset by lower retail and covered loans. The $874 million (1.8 percent) increase in commercial loans and $742 million (2.1 percent) increase in commercial real estate loans were primarily driven by the FCB acquisition and higher loan demand from new and existing customers.

Residential mortgages held in the loan portfolio increased $1.6 billion (5.2 percent) at March 31, 2011, compared with December 31, 2010. Most loans retained in the portfolio are to customers with prime or near-prime credit characteristics at the date of origination.

Total retail loans outstanding, which include credit card, retail leasing, home equity and second mortgages and other retail loans, decreased $1.4 billion (2.2 percent) at March 31, 2011, compared with December 31, 2010. The decrease was primarily driven by lower credit card and home equity balances.

Loans Held for Sale Loans held for sale, consisting primarily of residential mortgages to be sold in the secondary market, were $4.1 billion at March 31, 2011, compared with $8.4 billion at December 31, 2010. The decrease in loans held for sale was principally due to a decrease in mortgage loan origination and refinancing activity, primarily driven by an increase in interest rates during the first quarter of 2011.

Investment Securities Investment securities totaled $60.5 billion at March 31, 2011, compared with $53.0 billion at December 31, 2010. The $7.5 billion (14.1 percent) increase primarily reflected $7.0 billion of net investment purchases and $.3 billion of securities acquired in the FCB acquisition, both primarily in the held-to-maturity investment portfolio. Held-to-maturity securities were $8.2 billion at March 31, 2011, compared with $1.5 billion at December 31, 2010, primarily reflecting increases in U.S. Treasury and agency mortgage-backed securities, as the Company increased its on-balance sheet liquidity in response to anticipated regulatory requirements.

The Company conducts a regular assessment of its investment portfolio to determine whether any securities are other-than-temporarily impaired. At March 31, 2011, the Company s net unrealized loss on

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Table 4 Investment Securities

	Available-for-Sale				Held-to-Maturity			
March 31, 2011 (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	$ 905	$ 907	.3	2.01%	$	$		%
Maturing after one year through five years	1,605	1,579	2.6	1.21	1,419	1,410	2.9	1.04
Maturing after five years through ten years	33	34	6.7	4.87				
Maturing after ten years	18	17	12.0	3.66	62	62	11.0	1.76
Total	$ 2,561	$ 2,537	1.9	1.56%	$ 1,481	$ 1,472	3.2	1.07%
Mortgage-Backed Securities(a)								
Maturing in one year or less	$ 527	$ 528	.7	2.51%	$ 105	$ 105	.8	1.48%
Maturing after one year through five years	16,224	16,466	3.7	3.09	3,126	3,130	3.7	2.77
Maturing after five years through ten years	18,359	18,377	6.2	3.01	2,573	2,569	6.1	3.14
Maturing after ten years	5,259	5,277	13.4	1.55	530	532	14.0	1.45
Total	$ 40,369	$ 40,648	6.1	2.84%	$ 6,334	$ 6,336	5.5	2.79%
Asset-Backed Securities(a)								
Maturing in one year or less	$ 3	$ 12	.4	15.16%	$ 103	$ 102	.1	.59%
Maturing after one year through five years	173	191	2.8	13.55	55	59	2.1	.94
Maturing after five years through ten years	481	501	7.6	3.60	49	48	5.8	.90
Maturing after ten years	250	247	10.4	2.24	33	29	23.1	.80
Total	$ 907	$ 951	7.5	5.16%	$ 240	$ 238	4.9	.76%
Obligations of State and Political Subdivisions(b)(c)								
Maturing in one year or less	$ 15	$ 14	.7	5.92%	$	$	.5	6.99%
Maturing after one year through five years	991	992	3.9	6.03	6	6	3.6	8.02
	856	845	6.4	6.62	5	6	6.1	6.56

Maturing after five years through ten years								
Maturing after ten years	4,966	4,561	21.2	6.86	15	14	15.8	5.53
Total	$ 6,828	$ 6,412	16.8	6.71%	$ 26	$ 26	10.9	6.30%
Other Debt Securities								
Maturing in one year or less	$ 10	$ 12	.7	4.30%	$	$		%
Maturing after one year through five years	63	55	1.1	6.20	14	12	2.3	1.27
Maturing after five years through ten years	31	30	6.5	6.33	118	95	7.5	1.15
Maturing after ten years	1,332	1,218	31.7	4.17				
Total	$ 1,436	$ 1,315	29.6	4.31%	$ 132	$ 107	7.0	1.16%
Other Investments	$ 341	$ 385	16.1	3.87%	$	$		%
Total investment securities (d)	$ 52,442	$ 52,248	8.0	3.37%	$ 8,213	$ 8,179	5.1	2.41%

(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 7.4 years at December 31, 2010, with a corresponding weighted-average yield of 3.41 percent. The weighted-average maturity of the held-to-maturity investment securities was 6.3 years at December 31, 2010, with a corresponding weighted-average yield of 2.07 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 securities are computed based on historical cost balances. Average yield and maturity calculations exclude equity securities that have no stated yield or maturity.*

	March 31, 2011		December 31, 2010	
(Dollars in Millions)	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
U.S. Treasury and agencies	$ 4,042	6.7%	$ 2,724	5.1%
Mortgage-backed securities	46,703	77.0	40,654	76.2
Asset-backed securities	1,147	1.9	1,197	2.3
Obligations of state and political subdivisions	6,854	11.3	6,862	12.9
Other debt securities and investments	1,909	3.1	1,887	3.5
Total investment securities	$ 60,655	100.0%	$ 53,324	100.0%

available-for-sale securities was $194 million, compared with $346 million at December 31, 2010. The favorable change in net unrealized losses was primarily due to increases in the fair value of non-agency mortgage-backed securities and trust preferred securities. Unrealized losses on available-for-sale securities in an unrealized loss position totaled $1.1 billion at March 31, 2011, compared with $1.2 billion at December 31, 2010. When assessing unrealized losses for other-than-temporary impairment, the Company considers the nature of the investment, the financial condition of the issuer, the extent and duration of unrealized loss, expected cash flows of underlying collateral or assets and market conditions. At March 31,

2011, 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.
There is limited market activity for non-agency mortgage-backed securities held by the Company. As a result, the Company estimates the fair value of these securities using estimates of expected cash flows, discount rates and management s assessment of various other market factors, which are judgmental in nature. The Company recorded $6 million of impairment charges in earnings during the first quarter of 2011, predominately on non-agency mortgage-backed securities. These impairment charges were due to changes in expected cash flows resulting from increases in defaults in the underlying mortgage pools. Further adverse changes in market conditions may result in additional impairment charges in future periods. Refer to Notes 4 and 12 in the Notes to Consolidated Financial Statements for further information on investment securities.

Deposits Total deposits were $208.3 billion at March 31, 2011, compared with $204.3 billion at December 31, 2010, the result of increases in savings, noninterest-bearing and time deposits, partially offset by decreases in money market and interest checking deposits. Savings account balances increased $2.1 billion (8.6 percent), primarily due to continued strong participation in a savings product offered by Consumer and Small Business Banking. Noninterest-bearing deposits increased $1.7 billion (3.8 percent), primarily due to increases in Wholesale Banking and Commercial Real Estate balances. Time certificates of deposit less than $100,000 increased $289 million (1.9 percent) primarily due to the FCB acquisition. Time deposits greater than $100,000 increased $2.4 billion (8.0 percent), principally due to higher Wholesale Banking and Commercial Real Estate and institutional trust balances and the FCB acquisition. Time deposits greater than $100,000 are managed as an alternative to other funding sources, such as wholesale borrowing, based largely on relative pricing. Money market balances decreased $1.6 billion (3.4 percent) primarily due to lower broker dealer balances. Interest checking balances decreased $840 million (1.9 percent) primarily due to lower institutional trust balances.

Borrowings The Company utilizes both short-term and long-term borrowings as part of its asset/liability management and funding strategies. Short-term borrowings, which include federal funds purchased, commercial paper, repurchase agreements, borrowings secured by high-grade assets and other short-term borrowings, were $31.0 billion at March 31, 2011, compared with $32.6 billion at December 31, 2010. The $1.6 billion (4.7 percent) decrease in short-term borrowings was primarily in repurchase agreements and reflected reduced borrowing needs as a result of increases in deposits. Long-term debt was $31.8 billion at March 31, 2011, compared with $31.5 billion at December 31, 2010. The $.3 billion (.8 percent) increase was primarily due to an increase in long-term debt related to certain consolidated variable interest entities. Refer to the Liquidity Risk Management section for discussion of liquidity management of the Company.

CORPORATE RISK PROFILE

Overview

Managing risks is an essential part of successfully operating a financial services company. The most prominent risk exposures are credit, residual value, operational, interest rate, market and liquidity risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan, investment or derivative contract when it is due. Residual value risk is the potential reduction in the end-of-term value of leased assets. Operational risk includes risks related to fraud, legal and compliance, processing errors, technology, breaches of internal controls and business continuation and disaster recovery. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates, which can affect the re-pricing of assets and liabilities differently. 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 servicing rights (MSRs) and derivatives that are accounted for on a fair value basis. Liquidity risk is the possible inability to fund obligations to depositors, investors or borrowers. In addition, corporate strategic decisions, as well as the risks described above, could give rise to reputation risk. Reputation risk is the risk that negative publicity or press, whether true or not, could result in costly litigation or cause a decline in the Company s stock value, customer base, funding sources or revenue.

Credit Risk Management

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

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allowance coverage relative to similar banking institutions and macroeconomic factors, such as changes in unemployment rates, gross domestic product and consumer bankruptcy filings. 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, 2010, 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 commercial and retail lending products. The Company s retail lending business utilizes several distinct business processes and channels to originate retail credit, including traditional branch lending, indirect lending, portfolio acquisitions and a consumer finance division. Generally, loans managed by the Company s consumer finance division exhibit higher credit risk characteristics, but are priced commensurate with the differing risk profile. With respect to residential mortgages originated through these channels, the Company may either retain the loans on its balance sheet or sell its interest in the balances into the secondary market while retaining the servicing rights and customer relationships. 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 loan-to-value and borrower credit criteria during the underwriting process.

The following tables provide summary information of the loan-to-values of residential mortgages and home equity and second mortgages by distribution channel and type at March 31, 2011 (excluding covered loans):

Residential mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Consumer Finance				
Less than or equal to 80%	$ 1,415	$ 5,162	$ 6,577	54.9%
Over 80% through 90%	463	2,573	3,036	25.3
Over 90% through 100%	425	1,789	2,214	18.5
Over 100%		162	162	1.3
Total	$ 2,303	$ 9,686	$ 11,989	100.0%
Other Retail				
Less than or equal to 80%	$ 1,900	$ 17,010	$ 18,910	92.9%
Over 80% through 90%	53	686	739	3.6
Over 90% through 100%	66	640	706	3.5
Over 100%				
Total	$ 2,019	$ 18,336	$ 20,355	100.0%
Total Company				
Less than or equal to 80%	$ 3,315	$ 22,172	$ 25,487	78.8%
Over 80% through 90%	516	3,259	3,775	11.7
Over 90% through 100%	491	2,429	2,920	9.0
Over 100%		162	162	.5
Total	$ 4,322	$ 28,022	$ 32,344	100.0%

Note: Loan-to-values determined as of the date of origination and adjusted for cumulative principal payments, and consider mortgage insurance, as applicable.

Home equity and second mortgages	Percent

(Dollars in Millions)	Lines	Loans	Total	of Total
Consumer Finance(a)				
Less than or equal to 80%	$ 1,067	$ 194	$ 1,261	50.6%
Over 80% through 90%	446	139	585	23.5
Over 90% through 100%	317	219	536	21.5
Over 100%	50	60	110	4.4
Total	$ 1,880	$ 612	$ 2,492	100.0%
Other Retail				
Less than or equal to 80%	$ 11,408	$ 1,176	$ 12,584	78.0%
Over 80% through 90%	2,052	448	2,500	15.5
Over 90% through 100%	641	345	986	6.1
Over 100%	41	25	66	.4
Total	$ 14,142	$ 1,994	$ 16,136	100.0%
Total Company				
Less than or equal to 80%	$ 12,475	$ 1,370	$ 13,845	74.3%
Over 80% through 90%	2,498	587	3,085	16.6
Over 90% through 100%	958	564	1,522	8.2
Over 100%	91	85	176	.9
Total	$ 16,022	$ 2,606	$ 18,628	100.0%

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

Note: Loan-to-values determined on original appraisal value of collateral and the current amortized loan balance, or maximum of current commitment or current balance on lines.

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Within the consumer finance division, at March 31, 2011, approximately $2.1 billion of residential mortgages were to customers that may be defined as sub-prime borrowers based on credit scores from independent credit rating agencies at loan origination, unchanged from December 31, 2010.

The following table provides further information on the loan-to-values of residential mortgages specifically for the consumer finance division at March 31, 2011:

(Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Division
Sub-Prime Borrowers				
Less than or equal to 80%	$ 5	$ 946	$ 951	7.9%
Over 80% through 90%	2	474	476	4.0
Over 90% through 100%	13	574	587	4.9
Over 100%		44	44	.4
Total	$ 20	$ 2,038	$ 2,058	17.2%
Other Borrowers				
Less than or equal to 80%	$ 1,410	$ 4,216	$ 5,626	46.9%
Over 80% through 90%	461	2,099	2,560	21.3
Over 90% through 100%	412	1,215	1,627	13.6
Over 100%		118	118	1.0
Total	$ 2,283	$ 7,648	$ 9,931	82.8%
Total Consumer Finance	$ 2,303	$ 9,686	$ 11,989	100.0%

In addition to residential mortgages, at March 31, 2011, the consumer finance division had $.5 billion of home equity and second mortgage loans to customers that may be defined as sub-prime borrowers, unchanged from December 31, 2010.

The following table provides further information on the loan-to-values of home equity and second mortgages specifically for the consumer finance division at March 31, 2011:

(Dollars in Millions)	Lines	Loans	Total	Percent of Total
Sub-Prime Borrowers				
Less than or equal to 80%	$ 63	$ 115	$ 178	7.1%
Over 80% through 90%	41	78	119	4.8
Over 90% through 100%	7	133	140	5.6
Over 100%	33	48	81	3.3
Total	$ 144	$ 374	$ 518	20.8%
Other Borrowers				
Less than or equal to 80%	$ 1,004	$ 79	$ 1,083	43.4%
Over 80% through 90%	405	61	466	18.7
Over 90% through 100%	310	86	396	15.9

Over 100%	17	12	29	1.2
Total	$ 1,736	$ 238	$ 1,974	79.2%
Total Consumer Finance	$ 1,880	$ 612	$ 2,492	100.0%

The total amount of residential mortgage, home equity and second mortgage loans, other than covered loans, to customers that may be defined as sub-prime borrowers represented only .8 percent of total assets at March 31, 2011, compared with .9 percent at December 31, 2010. Covered loans included $1.5 billion in loans with negative-amortization payment options at March 31, 2011, compared with $1.6 billion at December 31, 2010. Other than covered loans, the Company does not have any residential mortgages with payment schedules that would cause balances to increase over time.

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

90 days or more past due **excluding** nonperforming loans	March 31, 2011	December 31, 2010
Commercial		
Commercial	.13%	.15%
Lease financing	.03	.02
Total commercial	.12	.13
Commercial Real Estate		
Commercial mortgages	.02	
Construction and development	.01	.01
Total commercial real estate	.02	
Residential Mortgages	1.33	1.63
Retail		
Credit card	1.62	1.86
Retail leasing	.04	.05
Other retail	.45	.49
Total retail	.71	.81
Total loans, excluding covered loans	.52	.61
Covered Loans	5.83	6.04
Total loans	.99%	1.11%

90 days or more past due including nonperforming loans	March 31, 2011	December 31, 2010
Commercial	1.12%	1.37%
Commercial real estate	4.17	3.73
Residential mortgages (a)	3.45	3.70

Retail (b)	1.23	1.26
Total loans, excluding covered loans	2.17	2.19
Covered loans	12.51	12.94
Total loans	3.07%	3.17%

(a) Delinquent loan ratios exclude 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. Including the guaranteed amounts, the ratio of residential mortgages 90 days or more past due including nonperforming loans was 11.42 percent at March 31, 2011, and 12.28 percent at December 31, 2010.

(b) Delinquent loan ratios exclude student loans that are guaranteed by the federal government. Including the guaranteed amounts, the ratio of retail loans 90 days or more past due including nonperforming loans was 1.58 percent at March 31, 2011, and 1.60 percent at December 31, 2010.

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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 $2.0 billion ($949 million excluding covered loans) at March 31, 2011, compared with $2.2 billion ($1.1 billion excluding covered loans) at December 31, 2010. The $145 million (13.3 percent) decrease, excluding covered loans, reflected a moderation in the level of stress in economic conditions in the first quarter of 2011. These loans 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 .99 percent (.52 percent excluding covered loans) at March 31, 2011, compared with 1.11 percent (.61 percent excluding covered loans) at December 31, 2010.

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

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Residential mortgages				
30-89 days	$ 395	$ 456	1.22%	1.48%
90 days or more	432	500	1.33	1.63
Nonperforming	685	636	2.12	2.07
Total	$ 1,512	$ 1,592	4.67%	5.18%
Retail				
Credit card				
30-89 days	$ 228	$ 269	1.44%	1.60%
90 days or more	258	313	1.62	1.86
Nonperforming	255	228	1.61	1.36
Total	$ 741	$ 810	4.67%	4.82%
Retail leasing				
30-89 days	$ 12	$ 17	.26%	.37%
90 days or more	2	2	.04	.05
Nonperforming				
Total	$ 14	$ 19	.30%	.42%
Home equity and second mortgages				
30-89 days	$ 151	$ 175	.81%	.93%
90 days or more	133	148	.71	.78
Nonperforming	42	36	.23	.19
Total	$ 326	$ 359	1.75%	1.90%
Other retail				
30-89 days	$ 154	$ 212	.63%	.85%
90 days or more	60	66	.25	.26

Nonperforming	33	29	.13	.12
Total	$ 247	$ 307	1.01%	1.23%

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The following table provides information on delinquent and nonperforming loans, excluding covered loans, as a percent of ending loan balances, by channel:

	Consumer Finance (a)		Other Retail	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Residential mortgages				
30-89 days	1.90%	2.38%	.82%	.95%
90 days or more	1.85	2.26	1.03	1.24
Nonperforming	2.93	2.99	1.64	1.52
Total	6.68%	7.63%	3.49%	3.71%
Retail				
Credit card				
30-89 days	%	%	1.44%	1.60%
90 days or more			1.62	1.86
Nonperforming			1.61	1.36
Total	%	%	4.67%	4.82%
Retail leasing				
30-89 days	%	%	.26%	.37%
90 days or more			.04	.05
Nonperforming				
Total	%	%	.30%	.42%
Home equity and second mortgages				
30-89 days	1.61%	1.98%	.69%	.76%
90 days or more	1.40	1.82	.60	.62
Nonperforming	.20	.20	.23	.19
Total	3.21%	4.00%	1.52%	1.57%
Other retail				
30-89 days	3.16%	4.42%	.57%	.77%
90 days or more	.66	.68	.23	.25
Nonperforming			.14	.12
Total	3.82%	5.10%	.94%	1.14%

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

Within the consumer finance division at March 31, 2011, approximately $364 million and $59 million of these delinquent and nonperforming residential mortgages and home equity and other retail loans, respectively, were to customers that may be defined as sub-prime borrowers, compared with $412 million and $75 million, respectively, at December 31, 2010.

The following table provides summary delinquency information for covered loans:

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
30-89 days	$ 743	$ 757	4.31%	4.19%
90 days or more	1,005	1,090	5.83	6.04
Nonperforming	1,151	1,244	6.68	6.90
Total	$ 2,899	$ 3,091	16.82%	17.13%

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. Concessionary modifications are classified as troubled debt restructurings (TDRs) unless the modification is short-term, or results in only an insignificant delay or shortfall 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.

Short-Term Modifications The Company makes short-term modifications to assist borrowers experiencing temporary hardships. Consumer programs include short-term interest rate reductions (three months or less for residential mortgages and twelve months or less for credit cards), deferrals of up to three past due payments, and the ability to return to current status if the borrower makes required payments during the short-term modification period. At March 31, 2011, loans modified under these programs, excluding loans purchased from GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs, represented less than 1.0 percent of total residential mortgage loan balances and 1.5 percent of credit card receivable balances, compared with less than 1.0 percent of total mortgage loan balances and 1.9 percent of credit card receivable balances at December 31, 2010. Because these changes have an insignificant impact on the economic return on the loan, the Company does not consider loans modified under these hardship programs to be TDRs. The Company determines applicable allowances for credit losses for these loans in a manner consistent with other homogeneous loan portfolios.

The Company may also modify commercial loans on a short-term basis, with the most common modification being an extension of the maturity date of twelve 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 ultimately pay all contractual amounts owed. These extended loans represented approximately 1.3 percent of total commercial and commercial real estate loan balances at March 31, 2011, compared with approximately 1.1 percent at December 31, 2010. Because interest is charged during the extension period (at the original contractual rate or, in many cases, a higher rate), the extension has an insignificant impact on the economic return on the loan. Therefore, the Company does not consider such extensions to be TDRs. The Company determines the applicable allowance for credit losses on these loans in a manner consistent with other commercial loans.

Troubled Debt Restructurings Many of the Company s TDRs are determined on a case-by-case basis in connection with ongoing loan collection processes. However, the Company has also implemented certain restructuring programs that may result in TDRs. The consumer finance division has a mortgage loan restructuring program, where certain qualifying borrowers facing an interest rate reset who are current in their repayment status, are allowed to retain the lower of their existing interest rate or the market interest rate as of their interest reset date. The Company also participates in the U.S. Department of the Treasury Home Affordable Modification Program (HAMP). HAMP gives qualifying homeowners an opportunity to refinance into 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. Both the consumer finance division modification program and the HAMP program require the customer to complete a trial period, where the loan modification is contingent on the customer satisfactorily completing the trial period and the loan documents are not modified until that time. The Company reports loans that are modified following the satisfactory completion of the trial period as TDRs. Loans in the pre-modification trial phase represented less than 1.0 percent of residential mortgage loan balances at March 31, 2011 and December 31, 2010.

In addition, the Company has also modified certain mortgage loans according to provisions in FDIC-assisted transaction loss sharing agreements. Losses associated with modifications on these loans, including the economic impact of interest rate reductions, are generally eligible for reimbursement under the loss sharing agreements. 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.

The following table provides a summary of TDRs by loan type, including the delinquency status for TDRs that continue to accrue interest and TDRs included in nonperforming assets (excluding covered loans):

		As a Percent of Performing TDRs			
March 31, 2011	Performing	30-89 Days Past	90 Days or more	Nonperforming	Total
(Dollars in Millions)	TDRs	Due	Past Due	TDRs	TDRs
Commercial	$ 59	43.2%	3.4%	$ 66 (b)	$ 125
Commercial real estate	184			152 (b)	336
Residential mortgages (a)	1,890	4.9	5.3	156	2,046
Credit card	212	10.2	7.0	255 (c)	467
Other retail	86	7.8	5.7	31	117
Total	$ 2,431	6.0%	5.0%	$ 660	$ 3,091

(a) Excludes loans purchased from GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs, and loans in the trial period under HAMP or the Company s program where a legal modification of the loan is contingent on the customer successfully completing the trial modification period.

(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) and, for commercial, small business credit cards with a modified rate equal to 0 percent.

(c) Represents consumer credit cards with a modified rate equal to 0 percent.

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The following table provides a summary of TDRs, excluding covered loans, that continue to accrue interest:

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Commercial	$ 59	$ 77	.12%	.16%
Commercial real estate	184	15	.52	.04
Residential mortgages (a)	1,890	1,804	5.84	5.87
Credit card	212	224	1.34	1.33
Other retail	86	87	.18	.18
Total	$ 2,431	$ 2,207	1.23%	1.12%

(a) Excludes loans purchased from GNMA mortgage pools whose repayments are insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs, and loans in the trial period under HAMP or the Company s program where a legal modification of the loan is contingent on the customer successfully completing the trial modification period.

TDRs, excluding covered loans, that continue to accrue interest were $224 million higher at March 31, 2011, than at December 31, 2010, primarily reflecting loan modifications for certain commercial real estate and residential mortgage customers in light of current economic conditions. The Company continues to actively work with customers to modify loans for borrowers who are having financial difficulties, including those acquired through FDIC-assisted acquisitions.

Nonperforming Assets The level of nonperforming assets represents another indicator of the potential for future credit losses. Nonperforming assets include nonaccrual loans, restructured loans not performing in accordance with modified terms, other real estate and other nonperforming assets owned by the Company, and 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. Additionally, nonperforming assets at March 31, 2011 included $287 million of loans and other real estate acquired through the recent acquisition of FCB from the FDIC, which were not covered by a loss sharing agreement. Assets associated with the FCB transaction were recorded at their estimated fair value, including any discount for expected losses, at the acquisition date and included in the related asset categories. At March 31, 2011, total nonperforming assets were $5.0 billion, unchanged from December 31, 2010. Excluding covered assets, nonperforming assets were $3.5 billion at March 31, 2011, compared with $3.4 billion at December 31, 2010. Nonperforming assets, excluding covered assets and nonperforming assets from the FCB acquisition, at March 31, 2011, were $3.2 billion, a $159 million (4.7 percent) decrease from December 31, 2010. This decline was principally in the commercial real estate portfolios, as the Company continued to resolve and reduce the exposure to these assets. There was also an improvement in other commercial portfolios, reflecting the stabilizing economy. However, stress continued in the residential mortgage portfolio due to the overall duration of the economic slowdown. Nonperforming covered assets at March 31, 2011, were $1.5 billion, compared with $1.7 billion at December 31, 2010. The majority of the nonperforming covered assets were considered credit-impaired at acquisition and recorded at their estimated fair value at acquisition. The ratio of total nonperforming assets to total loans and other real estate was 2.52 percent (1.92 percent excluding covered assets) at March 31, 2011, compared with 2.55 percent (1.87 percent excluding covered assets) at December 31, 2010.

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Table 6 Nonperforming Assets (a)

(Dollars in Millions)	March 31, 2011	December 31, 2010
Commercial		
Commercial	$ 439	$ 519
Lease financing	54	78
Total commercial	493	597
Commercial Real Estate		
Commercial mortgages	635	545
Construction and development	835	748
Total commercial real estate	1,470	1,293
Residential Mortgages	685	636
Retail		
Credit card	255	228
Retail leasing		
Other retail	75	65
Total retail	330	293
Total nonperforming loans, excluding covered loans	2,978	2,819
Covered Loans	1,151	1,244
Total nonperforming loans	4,129	4,063
Other Real Estate (b)(c)	480	511
Covered Other Real Estate (c)	390	453
Other Assets	21	21
Total nonperforming assets	$ 5,020	$ 5,048
Total nonperforming assets, excluding covered assets	$ 3,479	$ 3,351
Excluding covered assets:		
Accruing loans 90 days or more past due	$ 949	$ 1,094
Nonperforming loans to total loans	1.65%	1.57%
Nonperforming assets to total loans plus other real estate (b)	1.92%	1.87%
Including covered assets:		
Accruing loans 90 days or more past due	$ 1,954	$ 2,184
Nonperforming loans to total loans	2.08%	2.06%
Nonperforming assets to total loans plus other real estate (b)	2.52%	2.55%

Changes in Nonperforming Assets

Retail and

(Dollars in Millions)	Commercial and Commercial Real Estate	Residential Mortgages (e)	Total
Balance December 31, 2010	$ 3,596	$ 1,452	$ 5,048
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	780	194	974
Advances on loans	13		13
Total additions	793	194	987
Reductions in nonperforming assets			
Paydowns, payoffs	(330)	(39)	(369)
Net sales	(154)	(47)	(201)
Return to performing status	(113)	(12)	(125)
Charge-offs (d)	(266)	(54)	(320)
Total reductions	(863)	(152)	(1,015)
Net additions to (reductions in) nonperforming assets	(70)	42	(28)
Balance March 31, 2011	$ 3,526	$ 1,494	$ 5,020

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

(b) Excludes $563 million and $575 million at March 31, 2011, and December 31, 2010, respectively, of foreclosed GNMA loans which continue to accrue interest.

(c) Includes equity investments in entities whose only assets are other real estate owned.

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

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

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The Company expects total nonperforming assets, excluding covered assets, to trend lower in the second quarter of 2011.

Other real estate, excluding covered assets, was $480 million at March 31, 2011, compared with $511 million at December 31, 2010, and was related to foreclosed properties that previously secured loan balances.

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

	Amount		As a Percent of Ending Loan Balances	
(Dollars in Millions)	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Residential				
Minnesota	$ 28	$ 28	.52%	.53%
California	19	21	.29	.34
Illinois	16	16	.55	.57
Nevada	11	11	1.52	1.49
Washington	9	9	.29	.29
All other states	121	133	.37	.42
Total residential	204	218	.40	.44
Commercial				
Nevada	52	58	3.67	3.93
Oregon	30	26	.86	.74
Ohio	20	20	.48	.48
Colorado	19	16	.52	.44
California	19	23	.14	.18
All other states	136	150	.23	.26
Total commercial	276	293	.33	.35
Total OREO	$ 480	$ 511	.27%	.29%

Analysis of Loan Net Charge-Offs Total net charge-offs were $805 million for the first quarter of 2011, compared with net charge-offs of $1.1 billion for the first quarter of 2010. The ratio of total loan net charge-offs to average loans outstanding on an annualized basis for the first quarter of 2011 was 1.65 percent, compared with 2.39 percent for the first quarter of 2010. The decrease in total net charge-offs for the first quarter 2011, compared with the first quarter of 2010, was due to improvement in all major loan portfolios. The Company expects the level of net charge-offs to continue to trend lower in the second quarter of 2011.

Commercial and commercial real estate loan net charge-offs for the first quarter of 2011 were $264 million (1.28 percent of average loans outstanding on an annualized basis), compared with $469 million (2.34 percent of average loans outstanding on an annualized basis) for the first quarter of 2010. The decrease reflected the impact of efforts to resolve and reduce exposure to problem assets in the Company s commercial real estate portfolios and improvement in the other commercial portfolios due to the stabilizing economy.

Residential mortgage loan net charge-offs for the first quarter of 2011 were $129 million (1.65 percent of average loans outstanding on an annualized basis), compared with $145 million (2.23 percent of average loans outstanding on an annualized basis) for the first quarter of 2010. Retail loan net charge-offs for the first quarter of 2011 were $410 million (2.59 percent of average loans outstanding on an annualized basis), compared with $518 million (3.30 percent of average loans outstanding on an annualized basis) for the first quarter of 2010. The decreases in residential mortgage and retail loan net charge-offs for the first quarter of

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

	Three Months Ended March 31,	
	2011	2010
Commercial		
Commercial	1.19%	2.41%
Lease financing	.94	2.14
Total commercial	1.16	2.38
Commercial Real Estate		
Commercial mortgages	.59	.73
Construction and development	4.61	6.80
Total commercial real estate	1.44	2.28
Residential Mortgages	1.65	2.23
Retail		
Credit card (a)	6.21	7.73
Retail leasing	.09	.45
Home equity and second mortgages	1.75	1.88
Other retail	1.33	1.93
Total retail	2.59	3.30
Total loans, excluding covered loans	1.81	2.68
Covered Loans	.05	.06
Total loans	1.65%	2.39%

(a) Net charge-offs as a percent of average loans outstanding, excluding portfolio purchases where the acquired loans were recorded at fair value at the purchase date, were 6.45 and 8.42 percent for the three months ended March 31, 2011 and 2010, respectively.

2011, compared with the first quarter of 2010, reflected the impact of more stable economic conditions.

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

	Three Months Ended March 31,			
	Average Loans		Percent of Average Loans	
(Dollars in Millions)	2011	2010	2011	2010
Consumer Finance (a)				
Residential mortgages	$ 11,895	$ 10,341	3.20%	4.16%
Home equity and second mortgages	2,507	2,474	5.01	6.23
Other retail	606	602	4.68	4.72
Other Retail				
Residential mortgages	$ 19,882	$ 16,067	.71%	.98%
Home equity and second mortgages	16,294	16,928	1.24	1.25
Other retail	24,085	22,741	1.25	1.85
Total Company				
Residential mortgages	$ 31,777	$ 26,408	1.65%	2.23%
Home equity and second mortgages	18,801	19,402	1.75	1.88
Other retail	24,691	23,343	1.33	1.93

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

The following table provides further information on net charge-offs as a percent of average loans outstanding for the consumer finance division:

	Three Months Ended March 31,			
	Average Loans		Percent of Average Loans	
(Dollars in Millions)	2011	2010	2011	2010
Residential mortgages				
Sub-prime borrowers	$ 2,081	$ 2,432	6.43%	6.67%
Other borrowers	9,814	7,909	2.52	3.38
Total	$ 11,895	$ 10,341	3.20%	4.16%
Home equity and second mortgages				
Sub-prime borrowers	$ 527	$ 609	10.77%	11.32%
Other borrowers	1,980	1,865	3.48	4.57
Total	$ 2,507	$ 2,474	5.01%	6.23%

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 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. Management evaluates the allowance each quarter to ensure it appropriately reserves for incurred losses. Several factors were taken into consideration in evaluating the allowance for credit losses at March 31, 2011, including the risk profile of the portfolios, loan net charge-offs during the period, the level of nonperforming assets, accruing loans 90 days or more past due, delinquency ratios and changes in TDR loan balances. Management also considered the uncertainty related to certain industry sectors, and the extent of credit exposure to specific borrowers within the portfolio. In addition, concentration risks associated with commercial real estate and the mix of loans, including credit cards, loans originated through the consumer finance division and residential mortgage balances, and their relative credit risks, were evaluated. Finally, the Company considered current economic conditions that might impact the portfolio. Refer to Management s Discussion and Analysis Analysis and Determination of the Allowance for Credit Losses in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, for further discussion on the analysis and determination of the allowance for credit losses.

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Table 8 Summary of Allowance for Credit Losses

(Dollars in Millions)	Three Months Ended March 31, 2011	2010
Balance at beginning of period	$ 5,531	$ 5,264
Charge-offs		
Commercial		
Commercial	137	251
Lease financing	24	45
Total commercial	161	296
Commercial real estate		
Commercial mortgages	45	47
Construction and development	95	151
Total commercial real estate	140	198
Residential mortgages	133	146
Retail		
Credit card	268	328
Retail leasing	4	9
Home equity and second mortgages	85	94
Other retail	106	132
Total retail	463	563
Covered loans (a)	2	3
Total charge-offs	899	1,206
Recoveries		
Commercial		
Commercial	12	8
Lease financing	10	11
Total commercial	22	19
Commercial real estate		
Commercial mortgages	5	1
Construction and development	10	5
Total commercial real estate	15	6
Residential mortgages	4	1
Retail		
Credit card	21	16
Retail leasing	3	4
Home equity and second mortgages	4	4
Other retail	25	21

Total retail	53	45
Covered loans (a)		
Total recoveries	94	71
Net Charge-offs		
Commercial		
Commercial	125	243
Lease financing	14	34
Total commercial	139	277
Commercial real estate		
Commercial mortgages	40	46
Construction and development	85	146
Total commercial real estate	125	192
Residential mortgages	129	145
Retail		
Credit card	247	312
Retail leasing	1	5
Home equity and second mortgages	81	90
Other retail	81	111
Total retail	410	518
Covered loans (a)	2	3
Total net charge-offs	805	1,135
Provision for credit losses	755	1,310
Net change for credit losses to be reimbursed by the FDIC	17	
Acquisitions and other changes		
Balance at end of period	$ 5,498	$ 5,439
Components		
Allowance for loan losses, excluding losses to be reimbursed by the FDIC	$ 5,161	$ 5,235
Allowance for credit losses to be reimbursed by the FDIC	109	
Liability for unfunded credit commitments	228	204
Total allowance for credit losses	$ 5,498	$ 5,439
Allowance for credit losses as a percentage of		
Period-end loans, excluding covered loans	2.97%	3.20%
Nonperforming loans, excluding covered loans	180	156
Nonperforming assets, excluding covered assets	154	136
Annualized net charge-offs, excluding covered loans	165	118
Period-end loans	2.78%	2.85%
Nonperforming loans	133	109
Nonperforming assets	110	85
Annualized net charge-offs	168	118

Note: *At March 31, 2011, $2.1 billion of the total allowance for credit losses related to incurred losses on retail loans.*

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

At March 31, 2011, the allowance for credit losses was $5.5 billion (2.78 percent of total loans and 2.97 percent of loans excluding covered loans), compared with an allowance of $5.5 billion (2.81 percent of total loans and 3.03 percent of loans excluding covered loans) at December 31, 2010. During the first quarter of 2011, the Company increased the allowance for credit losses by $17 million to reflect covered loan losses reimbursable by the FDIC. The ratio of the allowance for credit losses to nonperforming loans was 133 percent (180 percent excluding covered loans) at March 31, 2011, compared with 136 percent (192 percent excluding covered loans) at December 31, 2010. The ratio of the allowance for credit losses to annualized loan net charge-offs was 168 percent at March 31, 2011, compared with 132 percent of full year 2010 net charge-offs at December 31, 2010.

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, 2011, no significant change in the amount of residual values or concentration of the portfolios had occurred since December 31, 2010. 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, 2010, for further discussion on residual value risk management.

Operational Risk Management The Company manages operational risk through a risk management framework and its internal control processes. Within this framework, the Risk Management Committee of the Company s Board of Directors provides oversight and assesses the most significant operational risks facing the Company within its business lines. Under the guidance of the Risk Management Committee, enterprise risk management personnel establish policies and interact with business lines to monitor significant operating risks on a regular basis. Business lines have direct and primary responsibility and accountability for identifying, controlling, and monitoring operational risks embedded in their business activities. Refer to Management s Discussion and Analysis Operational Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, for further discussion on operational 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 minimize the volatility of 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. The table below 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, 2011, and December 31, 2010, 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, 2010, 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

Sensitivity of Net Interest Income

	March 31, 2011				December 31, 2010			
	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	*	1.57%	*	3.11%	*	1.64%	*	3.14%

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

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 5.0 percent decrease in the market value of equity at March 31, 2011, compared with a 3.6 percent decrease at December 31, 2010. A 200 bps decrease, where possible given current rates, would have resulted in a 4.9 percent decrease in the market value of equity at March 31, 2011, compared with a 5.2 percent decrease at December 31, 2010. 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, 2010, for further discussion on market value of equity modeling.

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

- To convert fixed-rate debt from fixed-rate payments to floating-rate payments;
- To convert the cash flows associated with floating-rate debt from floating-rate payments to fixed-rate payments; and
- To mitigate changes in value of the Company s mortgage origination pipeline, funded mortgage loans held for sale and MSRs.

To manage these risks, the Company may enter into exchange-traded and over-the-counter derivative contracts, including interest rate swaps, swaptions, futures, forwards and options. 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 entering into similar offsetting positions with broker-dealers. 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 U.S. Treasury futures, options on U.S. Treasury futures contracts, interest rate swaps and forward commitments to buy residential mortgage loans 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 residential mortgage loans at specified prices to economically hedge the interest rate risk in its residential mortgage loan production activities. At March 31, 2011, the Company had $6.5 billion of forward commitments to sell mortgage loans hedging $3.9 billion of mortgage loans held for sale and $4.3 billion of unfunded mortgage loan commitments. The forward commitments to sell and the unfunded mortgage loan commitments are considered derivatives under the accounting guidance related to accounting for derivative instruments and hedging activities, and 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, entering into master netting agreements where possible with its counterparties, requiring collateral agreements with credit-rating thresholds and, in certain cases, though insignificant, transferring the counterparty credit risk related to interest rate swaps to third-parties through the use of risk participation agreements.

For additional information on derivatives and hedging activities, refer to Note 11 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 risks and funding activities. The ALCO established the Market Risk Committee (MRC), which 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 also manages market risk of non-trading business activities, including its MSRs and loans held for sale. The Company uses a Value at Risk (VaR) approach to measure general market risk. Theoretically, VaR represents the amount the Company has at risk of loss to adverse market movements over a one-day time horizon. The Company measures VaR at the ninety-ninth percentile using distributions derived from past market data. On average, the Company expects the one-day VaR to be exceeded two to three times per year. The Company monitors the effectiveness of its risk program by back-testing the performance of its VaR models, regularly updating the historical data used by the VaR models and stress testing. The

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Table 9 Regulatory Capital Ratios

(Dollars in Millions)	March 31, 2011	December 31, 2010
Tier 1 capital	$ 26,821	$ 25,947
As a percent of risk-weighted assets	10.8%	10.5%
As a percent of adjusted quarterly average assets (leverage ratio)	9.0%	9.1%
Total risk-based capital	$ 34,198	$ 33,033
As a percent of risk-weighted assets	13.8%	13.3%

Company s trading VaR did not exceed $2 million during the first quarter of 2011 and $5 million during the first quarter of 2010.

Liquidity Risk Management The ALCO establishes policies and guidelines, as well as analyzes and manages liquidity, to ensure adequate funds are available to meet normal operating requirements, and unexpected customer demands for funds in a timely and cost-effective manner. Liquidity management is viewed from long-term and short-term perspectives, including various stress scenarios, as well as from an asset and liability perspective. Management monitors liquidity through a regular review of maturity profiles, funding sources, and loan and deposit forecasts to minimize funding risk. Refer to Management s Discussion and Analysis Liquidity Risk Management in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, for further discussion on liquidity risk management.

At March 31, 2011, parent company long-term debt outstanding was $13.0 billion, unchanged from December 31, 2010. As of March 31, 2011, there was no parent company debt scheduled to mature in the remainder of 2011.

Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. The amount of dividends available to the parent company from its banking subsidiaries after meeting the regulatory capital requirements for well-capitalized banks was approximately $5.9 billion at March 31, 2011.

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. Table 9 provides a summary of regulatory capital ratios as of March 31, 2011, and December 31, 2010. All regulatory ratios exceeded regulatory well-capitalized requirements. Total U.S. Bancorp shareholders equity was $30.5 billion at March 31, 2011, compared with $29.5 billion at December 31, 2010. 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. 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, 2010, for further discussion on capital management.

The Company believes certain capital ratios in addition to regulatory capital ratios are useful in evaluating its capital adequacy. The Company s Tier 1 common (using Basel I definition) and tangible common equity, as a percent of risk-weighted assets, were 8.2 percent and 7.6 percent, respectively, at March 31, 2011, compared with 7.8 percent and 7.2 percent, respectively, at December 31, 2010. The Company s tangible common equity divided by tangible assets was 6.3 percent at March 31, 2011, compared with 6.0 percent at December 31, 2010. Additionally, the Company s Tier 1 common as a percent of risk-weighted assets, under anticipated Basel III guidelines, was 7.7 percent at March 31, 2011. Refer to Non-Regulatory Capital Ratios for further information regarding the calculation of these measures.

During the first quarter of 2011, the Company received regulatory approval to increase its quarterly common stock dividend, and on March 18, 2011, increased its dividend rate per common share by 150 percent, from $.05 per quarter to $.125 per quarter.

On December 13, 2010, the Company announced its Board of Directors had approved an authorization to repurchase 20 million shares of common stock through December 31, 2011. On March 18, 2011, the Company announced its Board of Directors had approved an authorization to repurchase 50 million shares of common stock through December 31, 2011. This new authorization replaced the December 13, 2010 authorization. All shares repurchased during the first quarter of 2011 were repurchased under the December 13, 2010 and March 18, 2011 repurchase programs in connection with the administration of the Company s employee benefit plans in the ordinary course of business.

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The following table provides a detailed analysis of all shares repurchased during the first quarter of 2011:

Time Period	Total Number of Shares Purchased as Part of the Programs	Average Price Paid per Share	Maximum Number of Shares that May Yet Be Purchased Under the Programs
January (a)	43,657	$ 27.45	19,956,172
February (a)	741,149	28.50	19,215,023
March (b)	80,417	27.18	49,998,820
Total	865,223	$ 28.32	49,998,820

(a) All shares purchased during January and February of 2011 were purchased under the publicly announced December 13, 2010 authorization.

(b) During March of 2011, 79,237 shares were purchased under the publicly announced December 13, 2010 authorization and 1,180 shares were purchased under the publicly announced March 18, 2011 authorization.

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. 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, 2010, 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 2011, certain organization and methodology changes were made and, accordingly, 2010 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, treasury management, capital markets, foreign exchange, international trade services and other financial services to middle market, large corporate, commercial real estate, financial institution and public sector clients. Wholesale Banking and Commercial Real Estate contributed $206 million of the Company s net income in the first quarter of 2011, or an increase of $197 million, compared with the first quarter of 2010. The increase was primarily driven by higher net revenue and lower provision for credit losses, partially offset by higher noninterest expense.

Total net revenue increased $73 million (10.0 percent) in the first quarter of 2011, compared with the first quarter of 2010. Net interest income, on a taxable-equivalent basis, increased $45 million (9.7 percent) in the first quarter of 2011, compared with the first quarter of 2010. The increase was primarily due to higher average loan and deposit balances, improved spreads on new loans and an increase in loan fees, partially offset by the impact of declining rates on the margin benefit from deposits. Total noninterest income increased $28 million (10.5 percent) in the first quarter of 2011, compared with the first quarter of 2010, mainly due to strong growth in commercial products revenue, including syndication and other capital markets fees, foreign exchange and international trade revenue, and

commercial loan and standby letters of credit fees.
Total noninterest expense increased $26 million (9.5 percent) in the first quarter of 2011, compared with the first quarter of 2010, primarily due to higher total compensation and employee benefits expense and increased shared services costs. The provision for credit losses decreased $263 million (59.5 percent) in the first quarter of 2011, compared with the first quarter of 2010. The favorable change was primarily due to a decrease in the reserve allocation and lower net charge-offs for the first quarter of 2011, compared with the first quarter of 2010. Nonperforming assets were $1.4 billion at March 31, 2011, $1.6 billion at December 31, 2010, and $2.3 billion at March 31, 2010. Nonperforming assets as a percentage of period-end loans were 2.50 percent at March 31, 2011, 2.87 percent at December 31, 2010, and 4.20 percent at March 31, 2010. 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 and ATM processing. It encompasses community banking, metropolitan banking, in-store banking, small business banking, consumer lending, mortgage banking, consumer finance, workplace banking, student banking and 24-hour banking. Consumer and Small Business Banking contributed $132 million of the Company s net income in the first quarter of 2011, or a decrease of $42 million (24.1 percent), compared with the first quarter of 2010. The decrease was due to higher total noninterest expense, partially offset by an increase in total net revenue.

Table 10 Line of Business Financial Performance

Three Months Ended March 31 (Dollars in Millions)	Wholesale Banking and Commercial Real Estate 2011	2010	Percent Change	Consumer and Small Business Banking 2011	2010	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 508	$ 463	9.7%	$ 1,134	$ 1,033	9.8%
Noninterest income	294	266	10.5	607	669	(9.3)
Securities gains (losses), net						
Total net revenue	802	729	10.0	1,741	1,702	2.3
Noninterest expense	296	270	9.6	1,118	1,004	11.4
Other intangibles	4	4		18	28	(35.7)
Total noninterest expense	300	274	9.5	1,136	1,032	10.1
Income before provision and income taxes	502	455	10.3	605	670	(9.7)
Provision for credit losses	179	442	(59.5)	398	396	.5
Income before income taxes	323	13	*	207	274	(24.5)
Income taxes and taxable-equivalent adjustment	118	5	*	75	100	(25.0)
Net income	205	8	*	132	174	(24.1)
Net (income) loss attributable to noncontrolling interests	1	1				
Net income attributable to U.S. Bancorp	$ 206	$ 9	*	$ 132	$ 174	(24.1)
Average Balance Sheet						
Commercial	$ 35,278	$ 33,822	4.3%	$ 7,097	$ 7,203	(1.5)%
Commercial real estate	19,193	19,872	(3.4)	15,147	13,219	14.6
Residential mortgages	61	68	(10.3)	31,330	25,957	20.7
Retail	7	45	(84.4)	45,544	44,601	2.1
Total loans, excluding covered loans	54,539	53,807	1.4	99,118	90,980	8.9
Covered loans	1,862	2,152	(13.5)	8,758	9,967	(12.1)
Total loans	56,401	55,959	.8	107,876	100,947	6.9
Goodwill	1,604	1,608	(.2)	3,535	3,531	.1
Other intangible assets	59	76	(22.4)	2,228	2,049	8.7

Assets	61,894	60,944	1.6	123,455	113,561	8.7
Noninterest-bearing deposits	19,995	16,122	24.0	17,192	15,591	10.3
Interest checking	13,998	13,934	.5	25,375	23,232	9.2
Savings products	9,803	11,158	(12.1)	39,611	34,036	16.4
Time deposits	12,663	11,080	14.3	24,280	28,321	(14.3)
Total deposits	56,459	52,294	8.0	106,458	101,180	5.2
Total U.S. Bancorp shareholders equity	5,508	5,410	1.8	9,262	8,430	9.9

* *Not meaningful*

Within Consumer and Small Business Banking, the retail banking division contributed $18 million of the total net income in the first quarter of 2011, or a decrease of $56 million (75.7 percent) from the first quarter of 2010. Mortgage banking contributed $114 million of Consumer and Small Business Banking s net income in the first quarter of 2011, or an increase of $14 million (14.0 percent) from the first quarter of 2010.

Total net revenue increased $39 million (2.3 percent) in the first quarter of 2011, compared with the first quarter of 2010. Net interest income, on a taxable-equivalent basis, increased $101 million (9.8 percent) in the first quarter of 2011, compared with the first quarter of 2010. The year-over-year increase in net interest income was due to improved loan spreads, and higher loan and deposit volumes, partially offset by a decline in the margin benefit from deposits.

Total noninterest income decreased $62 million (9.3 percent) in the first quarter of 2011, compared with the first quarter of 2010. The year-over-year decrease in noninterest income was driven by a reduction in deposit service charges, reflecting the impact of Company-initiated and regulatory revisions to overdraft fee policies, partially offset by core account growth.

Total noninterest expense increased $104 million (10.1 percent) in the first quarter of 2011, compared with the first quarter of 2010. The increase reflected higher compensation and employee benefits expense, shared services costs and net occupancy and equipment expenses related to business expansion, partially offset by lower other intangibles expense.

The provision for credit losses increased $2 million (.5 percent) in the first quarter of 2011, compared with the first quarter of 2010, as lower net charge-offs were offset by an increase in the reserve allocation. As a percentage of average loans outstanding on an annualized basis, net charge-offs decreased to 1.28 percent in the first quarter of 2011, compared with 1.64 percent in the first quarter of 2010. Nonperforming assets were $1.8 billion at March 31, 2011, $1.5 billion at December 31, 2010, and $1.7 billion at March 31, 2010. The increase in nonperforming assets at March 31, 2011, compared with December 31, 2010, was due to the FCB acquisition. Nonperforming assets as a percentage of period-end loans were 1.66 percent at March 31, 2011, 1.44 percent at December 31, 2010, and 1.64 percent at March 31, 2010. Refer to the Corporate Risk Profile section for further information

Management and urities Services		Payment Services			Treasury and Corporate Support			Consolidated Company		
2010	Percent Change	2011	2010	Percent Change	2011	2010	Percent Change	2011	2010	Pe Ch
$ 65	36.9%	$ 331	$ 346	(4.3)%	$ 445	$ 496	(10.3)%	$ 2,507	$ 2,403	
269		761	741	2.7	86	7	*	2,017	1,952	
					(5)	(34)	85.3	(5)	(34)	
334	7.2	1,092	1,087	.5	526	469	12.2	4,519	4,321	
235	12.3	421	386	9.1	140	144	(2.8)	2,239	2,039	
13	(23.1)	43	52	(17.3)				75	97	
248	10.5	464	438	5.9	140	144	(2.8)	2,314	2,136	
86	(2.3)	628	649	(3.2)	386	325	18.8	2,205	2,185	
2	*	162	463	(65.0)	11	7	57.1	755	1,310	
84	(6.0)	466	186	*	375	318	17.9	1,450	875	
31	(6.5)	170	68	*	29	8	*	421	212	
53	(5.7)	296	118	*	346	310	11.6	1,029	663	
		(9)	(7)	(28.6)	25	12	*	17	6	
$ 53	(5.7)	$ 287	$ 111	*	$ 371	$ 322	15.2	$ 1,046	$ 669	
$ 1,031	(1.2)%	$ 5,221	$ 4,883	6.9%	$ 98	$ 343	(71.4)%	$ 48,713	$ 47,282	
562	4.8				250	498	(49.8)	35,179	34,151	
375	1.6				5	8	(37.5)	31,777	26,408	
1,532	7.5	17,064	17,412	(2.0)	1	32	(96.9)	64,263	63,622	
3,500	3.9	22,285	22,295		354	881	(59.8)	179,932	171,463	
15	(13.3)				7,005	9,281	(24.5)	17,638	21,415	
3,515	3.8	22,285	22,295		7,359	10,162	(27.6)	197,570	192,878	
1,515	(3.4)	2,357	2,356					8,959	9,010	
221	(10.9)	837	1,004	(16.6)	6	8	(25.0)	3,327	3,358	
5,732	5.4	27,227	26,976	.9	89,281	74,509	19.8	307,896	281,722	
5,369	14.5	685	609	12.5	172	309	(44.3)	44,189	38,000	
2,676	16.1	164	105	56.2	1	47	(97.9)	42,645	39,994	
13,397	59.6	26	21	23.8	154	319	(51.7)	70,979	58,931	
5,402	68.1		1	*	466	802	(41.9)	46,492	45,606	
26,844	48.0	875	736	18.9	793	1,477	(46.3)	204,305	182,531	
2,117	(1.9)	5,295	5,350	(1.0)	7,868	5,107	54.1	30,009	26,414	

on factors impacting the credit quality of the loan portfolios.
On April 13, 2011, the Company s two primary banking subsidiaries, U.S. Bank National Association and U.S. Bank National Association ND, entered into a Consent Order with the Office of the Comptroller of the Currency regarding residential mortgage servicing and foreclosure processes. The Company also entered into a related Consent Order with the Board of Governors of the Federal Reserve System. The Consent Orders were the result of the recent interagency horizontal review of the foreclosure practices of the 14 largest mortgage servicers in the United States. The Company has long been committed to sound modification and foreclosure practices and is committed to revising these processes to meet the expectations of its regulators. The Company does not believe that the resolution of any outstanding issues will materially affect its financial position, results of operations, or ability to conduct normal business activities.

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 $50 million of the Company s net income in the first quarter of 2011, or a decrease of $3 million (5.7 percent), compared with the first quarter of 2010. The decrease was due to higher total noninterest expense, partially offset by an increase in total net revenue.
Total net revenue increased $24 million (7.2 percent) in the first quarter of 2011, compared with the first quarter of 2010. Net interest income, on a taxable-equivalent basis, increased $24 million (36.9 percent) in the first quarter of 2011, compared with the first quarter of 2010. The year over year increase in net interest income was primarily due to higher average deposit balances, including the impact of the securitization trust acquisition. Total noninterest income was flat compared with the first quarter of 2010. Trust and investment management fees declined, primarily due to the transfer of the long-term asset management business in the fourth quarter of 2010, partially offset by the impact of the fourth quarter securitization trust acquisition and improved market conditions during the first quarter of 2011. Additionally, there was an increase in investment

product fees due to increased sales volume. Total noninterest expense increased $26 million (10.5 percent) in the first quarter of 2011, compared with the first quarter of 2010. The increase in noninterest expense was primarily due to higher compensation and employee benefits expense and the impact of the securitization trust acquisition, partially offset by a reduction in other intangibles expense.

Payment Services Payment Services includes consumer and business credit cards, stored-value cards, debit cards, corporate and purchasing card services, consumer lines of credit and merchant processing. Payment Services contributed $287 million of the Company s net income in the first quarter of 2011, or an increase of $176 million, compared with the first quarter of 2010. The increase was primarily due to a decrease in the provision for credit losses. Total net revenue increased $5 million (.5 percent) in the first quarter 2011, compared with the first quarter of 2010. Net interest income, on a taxable-equivalent basis, decreased $15 million (4.3 percent) in the first quarter of 2011, compared with the first quarter of 2010, primarily due to lower retail credit card average loan balances and loan fees. Noninterest income increased $20 million (2.7 percent) in the first quarter of 2011, compared with the first quarter of 2010, primarily due to increased transaction volumes, including business expansion.
Total noninterest expense increased $26 million (5.9 percent) in the first quarter of 2011, compared with the first quarter of 2010, driven by higher compensation and employee benefits expense and processing costs, partially offset by lower other intangibles expense. The provision for credit losses decreased $301 million (65.0 percent) in the first quarter of 2011, compared with the first quarter of 2010, due to lower net charge-offs and a favorable change in the reserve allocation due to improved loss rates. As a percentage of average loans outstanding, net charge-offs were 5.40 percent in the first quarter of 2011, compared with 6.82 percent in the first quarter of 2010.

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, asset securitization, interest rate risk management, the net effect of transfer pricing related to average balances and the residual aggregate of those expenses associated with corporate activities that are managed on a consolidated basis. Treasury and Corporate Support recorded net income of $371 million in the first quarter of 2011, compared with $322 million in the first quarter of 2010.
Total net revenue increased $57 million (12.2 percent) in the first quarter of 2011, compared with the first quarter of 2010. Net interest income, on a taxable-equivalent basis, decreased $51 million (10.3 percent) in the first quarter of 2011, compared with the first quarter of 2010, reflecting the impact of the current rate environment, lower average covered asset balances, wholesale funding decisions and the Company s asset/liability position. Total noninterest income increased $108 million in the first quarter of 2011, compared with the first quarter of 2010, principally due to the FCB and Visa gains and lower net securities losses.
Total noninterest expense decreased $4 million (2.8 percent) in the first quarter of 2011, compared with the first quarter of 2010, as a favorable variance in the shared services allocation was partially offset by higher pension costs. 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-REGULATORY CAPITAL RATIOS

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,
- Tier 1 common equity to risk-weighted assets using Basel I definition,
- Tier 1 common equity to risk-weighted assets using anticipated Basel III definition, and
- Tangible common equity to risk-weighted assets using Basel I definition.

These non-regulatory capital ratios are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected market conditions. Additionally, presentation of these ratios allows readers to compare the Company s capitalization to other financial services companies. These ratios differ from capital ratios defined by banking regulators principally in that the numerator excludes preferred securities, the nature and extent of which varies among different financial services companies. These ratios are not defined in generally accepted accounting principles (GAAP) or federal banking regulations. As a result, these non-regulatory capital ratios disclosed by the Company may be considered non-GAAP financial measures.

Because there are no standardized definitions for these non-regulatory capital ratios, the Company s calculation methods may differ from those used by other financial services companies. Also, there may be limits in

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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 measures:

(Dollars in Millions)	March 31, 2011	December 31, 2010
Total equity	$ 31,335	$ 30,322
Preferred stock	(1,930)	(1,930)
Noncontrolling interests	(828)	(803)
Goodwill (net of deferred tax liability)	(8,317)	(8,337)
Intangible assets, other than mortgage servicing rights	(1,342)	(1,376)
Tangible common equity (a)	18,918	17,876
Tier 1 capital, determined in accordance with prescribed regulatory requirements using Basel I definition	26,821	25,947
Trust preferred securities	(3,949)	(3,949)
Preferred stock	(1,930)	(1,930)
Noncontrolling interests, less preferred stock not eligible for Tier 1 capital	(694)	(692)
Tier 1 common equity using Basel I definition (b)	20,248	19,376
Tier 1 capital, determined in accordance with prescribed regulatory requirements using anticipated Basel III definition	21,855	
Preferred stock	(1,930)	
Noncontrolling interests of real estate investment trusts	(667)	
Tier 1 common equity using anticipated Basel III definition (c)	19,258	
Total assets	311,462	307,786
Goodwill (net of deferred tax liability)	(8,317)	(8,337)
Intangible assets, other than mortgage servicing rights	(1,342)	(1,376)
Tangible assets (d)	301,803	298,073
Risk-weighted assets, determined in accordance with prescribed regulatory requirements using Basel I definition (e)	247,486	247,619
Risk-weighted assets using anticipated Basel III definition (f)	250,931	
Ratios		
Tangible common equity to tangible assets (a)/(d)	6.3%	6.0%
Tier 1 common equity to risk-weighted assets using Basel I definition (b)/(e)	8.2	7.8
Tier 1 common equity to risk-weighted assets using anticipated Basel III definition (c)/(f)	7.7	
Tangible common equity to risk-weighted assets (a)/(e)	7.6	7.2

Note: Anticipated Basel III definitions reflect adjustments for changes to the related elements as proposed in December 2010 by regulatory authorities.

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, 2010.

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, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 13,800	$ 14,487
Investment securities		
Held-to-maturity (fair value $8,179 and $1,419, respectively)	8,213	1,469
Available-for-sale	52,248	51,509
Loans held for sale (included $3,910 and $8,100 of mortgage loans carried at fair value, respectively)	4,141	8,371
Loans		
Commercial	49,272	48,398
Commercial real estate	35,437	34,695
Residential mortgages	32,344	30,732
Retail	63,745	65,194
Total loans, excluding covered loans	180,798	179,019
Covered loans	17,240	18,042
Total loans	198,038	197,061
Less allowance for loan losses	(5,270)	(5,310)
Net loans	192,768	191,751
Premises and equipment	2,508	2,487
Goodwill	8,947	8,954
Other intangible assets	3,415	3,213
Other assets	25,422	25,545
Total assets	$ 311,462	$ 307,786
Liabilities and Shareholders Equity		
Deposits		
Noninterest-bearing	$ 47,039	$ 45,314
Interest-bearing	129,344	129,381
Time deposits greater than $100,000	31,910	29,557
Total deposits	208,293	204,252
Short-term borrowings	31,021	32,557
Long-term debt	31,775	31,537
Other liabilities	9,038	9,118
Total liabilities	280,127	277,464
Shareholders equity		
Preferred stock	1,930	1,930
	21	21

Common stock, par value $0.01 a share authorized: 4,000,000,000 shares; issued: 3/31/11 and 12/31/10 2,125,725,742 shares		
Capital surplus	8,215	8,294
Retained earnings	27,769	27,005
Less cost of common stock in treasury: 3/31/11 199,210,990 shares; 12/31/10 204,822,330 shares	(6,089)	(6,262)
Accumulated other comprehensive income (loss)	(1,339)	(1,469)
Total U.S. Bancorp shareholders equity	30,507	29,519
Noncontrolling interests	828	803
Total equity	31,335	30,322
Total liabilities and equity	$ 311,462	$ 307,786

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) (Unaudited)	Three Months Ended March 31, 2011	2010
Interest Income		
Loans	$ 2,552	$ 2,505
Loans held for sale	63	44
Investment securities	428	410
Other interest income	57	34
Total interest income	3,100	2,993
Interest Expense		
Deposits	234	236
Short-term borrowings	133	128
Long-term debt	281	277
Total interest expense	648	641
Net interest income	2,452	2,352
Provision for credit losses	755	1,310
Net interest income after provision for credit losses	1,697	1,042
Noninterest Income		
Credit and debit card revenue	267	258
Corporate payment products revenue	175	168
Merchant processing services	301	292
ATM processing services	112	105
Trust and investment management fees	256	264
Deposit service charges	143	207
Treasury management fees	137	137
Commercial products revenue	191	161
Mortgage banking revenue	199	200
Investment products fees and commissions	32	25
Securities gains (losses), net		
Realized gains (losses), net	1	12
Total other-than-temporary impairment	(11)	(87)
Portion of other-than-temporary impairment recognized in other comprehensive income	5	41
Total securities gains (losses), net	(5)	(34)
Other	204	135
Total noninterest income	2,012	1,918
Noninterest Expense		
Compensation	959	861
Employee benefits	230	180
Net occupancy and equipment	249	227

Professional services	70	58
Marketing and business development	65	60
Technology and communications	185	185
Postage, printing and supplies	74	74
Other intangibles	75	97
Other	407	394
Total noninterest expense	2,314	2,136
Income before income taxes	1,395	824
Applicable income taxes	366	161
Net income	1,029	663
Net (income) loss attributable to noncontrolling interests	17	6
Net income attributable to U.S. Bancorp	$ 1,046	$ 669
Net income applicable to U.S. Bancorp common shareholders	$ 1,003	$ 648
Earnings per common share	$ .52	$ .34
Diluted earnings per common share	$ .52	$ .34
Dividends declared per common share	$ .125	$ .050
Average common shares outstanding	1,918	1,910
Average diluted common shares outstanding	1,928	1,919

See Notes to Consolidated Financial Statements.

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U.S. Bancorp
Consolidated Statement of Shareholders Equity

	U.S. Bancorp Shareholders									
s and Shares in Millions) ited)	Common Shares Outstanding	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Other Comprehensive Income (Loss)	Total U.S. Bancorp Shareholders Equity	Noncontrolling Interests	I
e December 31, 2009	1,913	$ 1,500	$ 21	$ 8,319	$ 24,116	$ (6,509)	$ (1,484)	$ 25,963	$ 698	$ 2
in accounting principle					(73)			(73)	(16)	
ome (loss)					669			669	(6)	
s in unrealized gains and n securities e-for-sale							386	386		
han-temporary impairment gnized in earnings on es available-for-sale							(41)	(41)		
zed loss on derivative							(39)	(39)		
currency translation							8	8		
ification for realized							35	35		
taxes							(132)	(132)		
mprehensive income								886	(6)	
ed stock dividends					(19)			(19)		
n stock dividends					(96)			(96)		
e of common and treasury	4			(87)		115		28		
e of treasury stock	(1)					(15)		(15)		
tions to noncontrolling s									(18)	
er changes in trolling interests									21	
ption and restricted stock				35				35		
e March 31, 2010	1,916	$ 1,500	$ 21	$ 8,267	$ 24,597	$ (6,409)	$ (1,267)	$ 26,709	$ 679	$ 2
e December 31, 2010	1,921	$ 1,930	$ 21	$ 8,294	$ 27,005	$ (6,262)	$ (1,469)	$ 29,519	$ 803	$ 3
in accounting principle					(2)			(2)		
ome (loss)					1,046			1,046	(17)	
s in unrealized gains and n securities							161	161		

e-for-sale han-temporary impairment ognized in earnings on es available-for-sale							(5)	(5)		
zed gain on derivative							62	62		
currency translation							(3)	(3)		
ification for realized							(4)	(4)		
taxes							(81)	(81)		
omprehensive income								1,176	(17)	
d stock dividends					(39)			(39)		
n stock dividends					(241)			(241)		
e of common and treasury	7			(103)		198		95		
e of treasury stock	(1)					(25)		(25)		
tions to noncontrolling s									(18)	
er changes in rolling interests									60	
ption and restricted stock				24				24		
e March 31, 2011	1,927	$ 1,930	$ 21	$ 8,215	$ 27,769	$ (6,089)	$ (1,339)	$ 30,507	$ 828	$ 3

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, 2011	2010
Operating Activities		
Net cash provided by operating activities	$6,228	$2,876
Investing Activities		
Proceeds from sales of available-for-sale investment securities	141	922
Proceeds from maturities of held-to-maturity investment securities	102	66
Proceeds from maturities of available-for-sale investment securities	3,189	3,070
Purchases of held-to-maturity investment securities	(6,524)	(64)
Purchases of available-for-sale investment securities	(3,896)	(5,205)
Net (increase) decrease in loans outstanding	(672)	1,944
Proceeds from sales of loans	234	440
Purchases of loans	(581)	(622)
Acquisitions, net of cash acquired	650	832
Other, net	(131)	(302)
Net cash provided by (used in) investing activities	(7,488)	1,081
Financing Activities		
Net increase in deposits	2,254	314
Net decrease in short-term borrowings	(1,652)	(769)
Proceeds from issuance of long-term debt	370	902
Principal payments or redemption of long-term debt	(378)	(2,143)
Proceeds from issuance of common stock	94	28
Cash dividends paid on preferred stock	(19)	(19)
Cash dividends paid on common stock	(96)	(96)
Net cash provided by (used in) financing activities	573	(1,783)
Change in cash and due from banks	(687)	2,174
Cash and due from banks at beginning of period	14,487	6,206
Cash and due from banks at end of period	$13,800	$8,380

See Notes to Consolidated Financial Statements.

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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, 2010. 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 10 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

Troubled Debt Restructurings In April 2011, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to identifying and disclosing troubled debt restructurings (TDRs), effective for the Company on July 1, 2011, to be applied retrospectively to restructurings occurring on or after January 1, 2011. This guidance provides clarification in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for the purpose of determining whether a restructuring constitutes a TDR. The Company is currently assessing the impact of this guidance on its financial statements.

Note 3 Business Combinations

During the first quarter of 2011, the Company acquired the banking operations of First Community Bank of New Mexico (FCB) from the Federal Deposit Insurance Corporation (FDIC). The FCB transaction did not include a loss sharing agreement. The Company acquired 38 branch locations and approximately $2.1 billion in assets, assumed approximately $2.1 billion in liabilities, and received approximately $412 million in cash from the FDIC. In addition, the Company recognized a $46 million gain on this transaction during the first quarter of 2011.

Note 4 Investment Securities

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

	March 31, 2011					December 31, 2010				
			Unrealized Losses					Unrealized Losses		
(Dollars in Millions)	Amortized Cost	Unrealized Gains	Other-than-Temporary	Other	Fair Value	Amortized &nb	Unrealized	Other-than-		Fair