US BANCORP \DE\
Form 10-Q
August 08, 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 June 30, 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 July 31, 2011
Common Stock, $.01 Par Value	1,920,925,356 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 negatively 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.

Table 1 Selected Financial Data

s and Shares in Millions, Except Per Share Data)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Percent Change	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Pe Ch
nsed Income Statement						
erest income (taxable-equivalent basis) (a)	$ 2,544	$ 2,409	5.6%	$ 5,051	$ 4,812	
erest income	2,154	2,131	1.1	4,171	4,083	
es gains (losses), net	(8)	(21)	61.9	(13)	(55)	
et revenue	4,690	4,519	3.8	9,209	8,840	
erest expense	2,425	2,377	2.0	4,739	4,513	
on for credit losses	572	1,139	(49.8)	1,327	2,449	(
before taxes	1,693	1,003	68.8	3,143	1,878	
e-equivalent adjustment	56	52	7.7	111	103	
ble income taxes	458	199	*	824	360	
ome	1,179	752	56.8	2,208	1,415	
come) loss attributable to noncontrolling interests	24	14	71.4	41	20	
ome attributable to U.S. Bancorp	$ 1,203	$ 766	57.0	$ 2,249	$ 1,435	
ome applicable to U.S. Bancorp common lders	$ 1,167	$ 862	35.4	$ 2,170	$ 1,510	
mmon Share						
s per share	$ .61	$ .45	35.6%	$ 1.13	$ .79	
earnings per share	.60	.45	33.3	1.12	.79	
nds declared per share	.125	.050	*	.250	.100	
alue per share	15.50	13.69	13.2			
value per share	25.51	22.35	14.1			
e common shares outstanding	1,921	1,912	.5	1,920	1,911	
e diluted common shares outstanding	1,929	1,921	.4	1,929	1,920	
ial Ratios						
on average assets	1.54%	1.09%		1.46%	1.03%	
on average common equity	15.9	13.4		15.2	12.0	
erest margin (taxable-equivalent basis) (a)	3.67	3.90		3.68	3.90	
cy ratio (b)	51.6	52.4		51.4	50.7	
e Balances						
	$ 198,810	$ 191,161	4.0%	$ 198,194	$ 192,015	
eld for sale	3,118	4,048	(23.0)	4,603	3,990	
ent securities	62,955	47,140	33.5	59,698	46,678	
assets	277,571	247,446	12.2	275,766	248,133	
	312,610	281,340	11.1	310,266	281,530	
erest-bearing deposits	48,721	39,917	22.1	46,467	38,964	

s	209,411	183,318	14.2	206,871	182,927
rm borrowings	29,008	32,286	(10.2)	30,597	32,418
rm debt	32,183	30,242	6.4	31,877	31,343
.S. Bancorp shareholders equity	31,967	27,419	16.6	30,994	26,919

	June 30, 2011	December 31, 2010	
End Balances			
	$ 199,882	$ 197,061	1.4%
nce for credit losses	5,308	5,531	(4.0)
ent securities	65,579	52,978	23.8
	320,874	307,786	4.3
s	214,883	204,252	5.2
rm debt	32,830	31,537	4.1
.S. Bancorp shareholders equity	32,452	29,519	9.9
ratios			
apital	11.0%	10.5%	
sk-based capital	13.9	13.3	
ge	9.2	9.1	
ommon equity to risk-weighted assets using Basel tion (c)	8.4	7.8	
ommon equity to risk-weighted assets using ted Basel III definition (c)	8.1	7.3	
e common equity to tangible assets (c)	6.5	6.0	
e common equity to risk-weighted assets (c)	8.0	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 27.*

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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 $1.2 billion for the second quarter of 2011, or $.60 per diluted common share, compared with $766 million, or $.45 per diluted common share for the second quarter of 2010. Return on average assets and return on average common equity were 1.54 percent and 15.9 percent, respectively, for the second quarter of 2011, compared with 1.09 percent and 13.4 percent, respectively, for the second quarter of 2010. Diluted earnings per common share for the second quarter of 2010 included a $.05 benefit related to a non-recurring exchange of perpetual preferred stock for outstanding income trust securities. The second quarter of 2010 results also included net securities losses of $21 million. The provision for credit losses for the second quarter of 2011 was $175 million lower than net charge-offs, compared with $25 million in excess of net charge-offs for the second quarter of 2010.

Total net revenue, on a taxable-equivalent basis, for the second quarter of 2011 was $171 million (3.8 percent) higher than the second quarter of 2010, reflecting a 5.6 percent increase in net interest income and a 1.7 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 and commercial products revenue, as well as lower net securities losses.

Total noninterest expense in the second quarter of 2011 was $48 million (2.0 percent) higher than the second quarter of 2010, primarily due to higher total compensation and employee benefits expense, including higher pension costs.

The provision for credit losses for the second quarter of 2011 was $572 million, or $567 million (49.8 percent) lower than the second quarter of 2010. Net charge-offs in the second quarter of 2011 were $747 million, compared with $1.1 billion in the second 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.

The Company reported net income attributable to U.S. Bancorp of $2.2 billion for the first six months of 2011, or $1.12 per diluted common share, compared with $1.4 billion, or $.79 per diluted common share for the first six months of 2010. Return on average assets and return on average common equity were 1.46 percent and 15.2 percent, respectively, for the first six months of 2011, compared with 1.03 percent and 12.0 percent, respectively, for the first six months of 2010. The Company s results for the first six months of 2011 included 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). Results for the first six months of 2011 also included net securities losses of $13 million and a provision for credit losses lower than net charge-offs by $225 million. The first six months of 2010 included $200 million of provision for credit losses in excess of net charge-offs and $55 million of net securities losses.

Total net revenue, on a taxable-equivalent basis, for the first six months of 2011 was $369 million (4.2 percent) higher than the first six months of 2010, reflecting a 5.0 percent increase in net interest income and a 3.2 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 net securities losses.

Total noninterest expense in the first six months of 2011 was $226 million (5.0 percent) higher than the first six months of 2010, primarily due to higher total compensation and employee benefits expense, including higher pension costs.

The provision for credit losses for the first six months of 2011 was $1.3 billion, or $1.1 billion (45.8 percent) lower than the first six months of 2010. Net charge-offs in the first six months of 2011 were $1.6 billion, compared with $2.2 billion in the first six months 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 second quarter of 2011, compared with $2.4 billion in the second quarter of 2010. Net interest income, on a taxable-equivalent basis, was $5.1 billion in the first six months of 2011, compared with $4.8 billion in the first six months of 2010. The increases were primarily the result of growth in average earning assets and lower cost core deposit funding. Average earning assets increased $30.1 billion (12.2 percent) in the second quarter and $27.6 billion (11.1 percent) in the first six months of 2011, compared with the same periods of 2010, driven by increases in average investment securities, average loans and average other earning assets, which included cash balances held at the Federal Reserve. The net interest margin in the second quarter and first six months of 2011 was 3.67 percent and 3.68 percent, respectively, compared with 3.90 percent in both the second quarter and first six months of 2010. The decreases 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 second quarter and first six months of 2011 were $7.6 billion (4.0 percent) and $6.2 billion (3.2 percent) higher, respectively, than the same periods of 2010, driven by growth in residential mortgages, commercial loans, commercial real estate loans and retail loans, partially offset by decreases 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) decreased $3.8 billion for both the second quarter and first six months of 2011, or 18.4 percent and 18.0 percent, respectively, compared with the same periods of 2010.

Average investment securities in the second quarter and first six months of 2011 were $15.8 billion (33.5 percent) and $13.0 billion (27.9 percent) higher, respectively, than the same periods 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 second quarter and first six months of 2011 were $26.1 billion (14.2 percent) and $23.9 billion (13.1 percent) higher, respectively, than the same periods of 2010. Excluding deposits from acquisitions, second quarter 2011 average total deposits increased $17.6 billion (9.6 percent) over the second quarter of 2010. Average noninterest-bearing deposits for the second quarter and first six months of 2011 were $8.8 billion (22.1 percent) and $7.5 billion (19.3 percent) higher, respectively, than the same periods of 2010, largely due to growth in Wholesale Banking and Commercial Real Estate and Consumer and Small Business Banking balances. Average total savings deposits for the second quarter and first six months of 2011 were $15.1 billion (15.1 percent) and $14.9 billion (15.0 percent) higher, respectively, than the same periods of 2010, primarily due to 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 second quarter and first six months of 2011 by $1.6 billion (9.5 percent) and $2.3 billion (13.2 percent), respectively, compared with the same periods 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 $3.8 billion (14.4 percent) and $3.9 billion (14.4 percent) higher in the second quarter and first six months of 2011, respectively, compared with the same periods 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.

Provision for Credit Losses The provision for credit losses for the second quarter and first six months of 2011 decreased $567 million (49.8 percent) and $1.1 billion (45.8 percent), respectively, from the same periods of 2010. Net charge-offs decreased $367 million (32.9 percent) and $697 million (31.0 percent) in the second quarter and first six months of 2011, respectively, compared with the same periods 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 second quarter of 2011, compared with the first quarter of 2011. The provision for credit losses was lower than net charge-offs by $175 million in the second quarter and $225 million in the first six months of 2011, but exceeded net charge-offs by $25 million in the second quarter and $200 million in the first six months 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.

Table 2 Noninterest Income

(Dollars in Millions)	Three Months Ended June 30, 2011	2010	Percent Change	Six Months Ended June 30, 2011	2010	Percent Change
Credit and debit card revenue	$ 286	$ 266	7.5%	$ 553	$ 524	5.5%
Corporate payment products revenue	185	178	3.9	360	346	4.0
Merchant processing services	338	320	5.6	639	612	4.4
ATM processing services	114	108	5.6	226	213	6.1
Trust and investment management fees	258	267	(3.4)	514	531	(3.2)
Deposit service charges	162	199	(18.6)	305	406	(24.9)
Treasury management fees	144	145	(.7)	281	282	(.4)
Commercial products revenue	218	205	6.3	409	366	11.7
Mortgage banking revenue	239	243	(1.6)	438	443	(1.1)
Investment products fees and commissions	35	30	16.7	67	55	21.8
Securities gains (losses), net	(8)	(21)	61.9	(13)	(55)	76.4
Other	175	170	2.9	379	305	24.3
Total noninterest income	$ 2,146	$ 2,110	1.7%	$ 4,158	$ 4,028	3.2%

Noninterest Income Noninterest income in the second quarter and first six months of 2011 was $2.1 billion and $4.2 billion, respectively, compared with $2.1 billion and $4.0 billion in the same periods of 2010. The $36 million (1.7 percent) increase during the second quarter and $130 million (3.2 percent) increase during the first six months of 2011, compared with the same periods of 2010, were due to higher payments-related revenues, largely due to increased transaction volumes, and increases in commercial products revenue attributable to higher standby letters of credit fees, commercial loan fees and commercial leasing revenue. The increase in commercial products revenue for the first six months of 2011, compared with the same period of 2010, was also due to higher capital markets fees. ATM processing services income and investment products fees and commissions increased in the second quarter and first six months of 2011, compared with the same periods of 2010, due to business initiatives. In addition, net securities losses decreased, primarily due to lower impairments in the current year. Other income for the first six months of 2011 also increased over the same period of the prior year due to the first quarter 2011 FCB gain and higher retail lease residual valuation income. Offsetting these positive variances was a decrease in deposit service charges in both the second quarter and first six months of 2011, compared with the same periods of 2010, 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 sale 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.
The Company anticipates the implementation of recently passed legislation, under the Durbin Amendment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, will reduce future noninterest income by approximately $300 million on an annualized basis, based on anticipated transaction volume excluding any mitigating actions the Company may take.

Noninterest Expense Noninterest expense was $2.4 billion in the second quarter and $4.7 billion in the first six months of 2011, compared with $2.4 billion in the second quarter and $4.5 billion in the first six months of 2010, or

increases of $48 million (2.0 percent) and $226 million (5.0 percent), respectively. The increases in noninterest expense from a year ago were principally due to increased total compensation and employee benefits expense. Total compensation increased primarily due to branch expansion, other business initiatives and merit increases. 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. These increases were partially offset by decreases in other intangibles expense due to the reduction or completion of the amortization of certain intangibles. Other expense was also lower due to debt extinguishment costs recorded in the second quarter of 2010 for the exchange of the income trust securities, lower mortgage servicing and acquisition integration expenses, and lower costs related to investments in affordable housing and other tax-advantaged projects. These decreases were partially offset by higher FDIC deposit insurance expense.

Table 3 Noninterest Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in Millions)	2011	2010	Percent Change	2011	2010	Percent Change
Compensation	$ 1,004	$ 946	6.1%	$ 1,963	$ 1,807	8.6%
Employee benefits	210	172	22.1	440	352	25.0
Net occupancy and equipment	249	226	10.2	498	453	9.9
Professional services	82	73	12.3	152	131	16.0
Marketing and business development	90	86	4.7	155	146	6.2
Technology and communications	189	186	1.6	374	371	.8
Postage, printing and supplies	76	75	1.3	150	149	.7
Other intangibles	75	91	(17.6)	150	188	(20.2)
Other	450	522	(13.8)	857	916	(6.4)
Total noninterest expense	$ 2,425	$ 2,377	2.0%	$ 4,739	$ 4,513	5.0%
Efficiency ratio (a)	51.6%	52.4%		51.4%	50.7%	

(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.

Income Tax Expense The provision for income taxes was $458 million (an effective rate of 28.0 percent) for the second quarter and $824 million (an effective rate of 27.2 percent) for the first six months of 2011, compared with $199 million (an effective rate of 20.9 percent) and $360 million (an effective rate of 20.3 percent) for the same periods of 2010. The increases in the effective tax rates for the second quarter and first six months of 2011, compared with the same periods 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 11 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Loans The Company s total loan portfolio was $199.9 billion at June 30, 2011, compared with $197.1 billion at December 31, 2010, an increase of $2.8 billion (1.4 percent). The increase was driven by increases in most major loan categories, partially offset by lower retail and covered loans. The $2.2 billion (4.4 percent) increase in commercial loans was primarily driven by higher loan demand from new and existing customers and the $795 million (2.3 percent) increase in commercial real estate loans was primarily due to the FCB acquisition.

Residential mortgages held in the loan portfolio increased $2.4 billion (7.7 percent) at June 30, 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 $863 million (1.3 percent) at June 30, 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 $3.5 billion at June 30, 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 due to an increase in interest rates during the first half of 2011.

Investment Securities Investment securities totaled $65.6 billion at June 30, 2011, compared with $53.0 billion at December 31, 2010. The $12.6 billion (23.8 percent) increase primarily reflected $11.5 billion of net investment purchases and $.3 billion of securities acquired in the FCB acquisition, both primarily in the held-to-maturity investment portfolio, as well as a $.8 billion favorable change in unrealized gains (losses) on available-for-sale investment securities. Held-to-maturity securities were $13.3 billion at June 30, 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.

Table 4 Investment Securities

	Available-for-Sale				Held-to-Maturity			
June 30, 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	$ 819	$ 819	.3	1.71%	$	$		%
Maturing after one year through five years	986	987	1.9	1.14	2,301	2,322	2.6	1.01
Maturing after five years through ten years	47	49	7.4	4.49				
Maturing after ten years	18	18	11.7	3.66	62	62	10.8	3.22
Total	$ 1,870	$ 1,873	1.5	1.50%	$ 2,363	$ 2,384	2.8	1.06%
Mortgage-Backed Securities (a)								
Maturing in one year or less	$ 227	$ 226	.7	4.07%	$ 9	$ 6	.8	1.02%
Maturing after one year through five years	15,070	15,361	3.7	3.37	6,450	6,577	4.2	3.07
Maturing after five years through ten years	18,589	18,843	6.5	2.71	3,477	3,499	6.7	1.84
Maturing after ten years	6,626	6,641	13.3	1.51	706	715	14.1	1.39
Total	$ 40,512	$ 41,071	6.6	2.77%	$ 10,642	$ 10,797	5.7	2.55%
Asset-Backed Securities (a)								
Maturing in one year or less	$ 2	$ 12	.4	20.49%	$ 3	$ 2	.6	1.06%
Maturing after one year through five years	151	156	3.2	10.09	71	69	3.0	.92
Maturing after five years through ten years	644	673	7.8	4.12	18	22	6.9	.84
Maturing after ten years	96	98	10.7	2.56	27	26	23.3	.74
Total	$ 893	$ 939	7.3	5.00%	$ 119	$ 119	8.2	.87%
Obligations of State and Political Subdivisions (b)(c)								
Maturing in one year or less	$ 14	$ 14	.6	6.10%	$	$	.2	7.06%
Maturing after one year through five years	2,312	2,321	4.0	6.50	6	6	3.5	8.27
Maturing after five years through ten years	2,424	2,420	5.9	6.76	3	4	6.2	5.36
Maturing after ten years	2,059	1,927	21.1	6.92	15	14	15.6	5.50

Total	$ 6,809	$ 6,682	9.8	6.72%	$ 24	$ 24	11.2	6.15%
Other Debt Securities								
Maturing in one year or less	$ 138	$ 136	.6	6.27%	$ 1	$ 1	.8	.90%
Maturing after one year through five years	60	57	1.1	6.66	13	11	2.2	1.30
Maturing after five years through ten years	31	29	6.3	6.33	118	95	7.2	.91
Maturing after ten years	1,207	1,110	28.9	3.89				
Total	$ 1,436	$ 1,332	24.6	4.29%	$ 132	$ 107	6.7	.95%
Other Investments	$ 350	$ 402	15.6	3.77%	$	$		%
Total investment securities (d)	$ 51,870	$ 52,299	7.4	3.33%	$ 13,280	$ 13,431	5.2	2.26%

(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 politcal 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 politicial 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.

	June 30, 2011		December 31, 2010	
(Dollars in Millions)	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
U.S. Treasury and agencies	$ 4,233	6.5%	$ 2,724	5.1%
Mortgage-backed securities	51,154	78.5	40,654	76.2
Asset-backed securities	1,012	1.6	1,197	2.3
Obligations of state and political subdivisions	6,833	10.5	6,862	12.9
Other debt securities and investments	1,918	2.9	1,887	3.5
Total investment securities	$ 65,150	100.0%	$ 53,324	100.0%

The Company conducts a regular assessment of its investment portfolio to determine whether any securities are other-than-temporarily impaired. At June 30, 2011, the Company s net unrealized gain on available-for-sale securities was $429 million, compared with a net unrealized loss of $346 million at December 31, 2010. The favorable change in net unrealized gains (losses) was primarily due to increases in the fair value of state and political securities, agency mortgage-backed securities and corporate debt securities. Unrealized losses on available-for-sale securities in an unrealized loss position totaled $687 million at June 30, 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 June 30, 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 $9 million and $15 million of impairment charges in earnings during the second quarter and first six months of 2011, respectively, 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 13 in the Notes to Consolidated Financial Statements for further information on investment securities.

Deposits Total deposits were $214.9 billion at June 30, 2011, compared with $204.3 billion at December 31, 2010, the result of increases in noninterest-bearing, savings and time deposits, partially offset by decreases in money market and interest checking deposits. Noninterest-bearing deposits increased $12.0 billion (26.5 percent), primarily due to increases in Wholesale Banking and Commercial Real Estate, and corporate trust balances. Savings account balances increased $2.4 billion (9.9 percent), primarily due to continued strong participation in a savings product offered by Consumer and Small Business Banking. Time certificates of deposit less than $100,000 increased $244 million (1.6 percent) primarily due to the FCB acquisition. Time deposits greater than $100,000 were essentially flat at June 30, 2011, compared with December 31, 2010, and are managed as an alternative to other funding sources, such as wholesale borrowing, based largely on relative pricing. Money market balances decreased $2.4 billion (5.1 percent) primarily due to lower Consumer and Small Business Banking, and broker-dealer balances. Interest checking balances decreased $1.6 billion (3.6 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 $29.7 billion at June 30, 2011, compared with $32.6 billion at December 31, 2010. The $2.9 billion (8.9 percent) decrease in short-term borrowings was primarily in repurchase agreements and commercial paper balances, and reflected reduced borrowing needs as a result of increases in deposits. Long-term debt was $32.8 billion at June 30, 2011, compared with $31.5 billion at December 31, 2010. The $1.3 billion (4.1 percent) increase was primarily due to $1.7 billion of medium-term note and subordinated debt issuances and a $.5 billion increase in long-term debt related to certain consolidated variable interest entities, partially offset by a $.7 billion extinguishment of junior subordinated debentures in connection with the issuance of perpetual preferred stock. 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

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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 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 June 30, 2011 (excluding covered loans):

Residential mortgages (Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Total
Consumer Finance				
Less than or equal to 80%	$ 1,383	$ 5,341	$ 6,724	55.4%
Over 80% through 90%	438	2,727	3,165	26.1
Over 90% through 100%	398	1,684	2,082	17.1
Over 100%		167	167	1.4
Total	$ 2,219	$ 9,919	$ 12,138	100.0%
Other Retail				
Less than or equal to 80%	$ 1,876	$ 17,619	$ 19,495	93.0%
Over 80% through 90%	48	715	763	3.6
Over 90% through 100%	61	653	714	3.4
Over 100%				
Total	$ 1,985	$ 18,987	$ 20,972	100.0%
Total Company				
Less than or equal to 80%	$ 3,259	$ 22,960	$ 26,219	79.2%
Over 80% through 90%	486	3,442	3,928	11.9
Over 90% through 100%	459	2,337	2,796	8.4
Over 100%		167	167	.5
Total	$ 4,204	$ 28,906	$ 33,110	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 (Dollars in Millions)	Lines	Loans	Total	Percent of Total
Consumer Finance (a)				
Less than or equal to 80%	$ 1,077	$ 194	$ 1,271	51.5%
Over 80% through 90%	450	131	581	23.6
Over 90% through 100%	307	204	511	20.7
Over 100%	48	55	103	4.2
Total	$ 1,882	$ 584	$ 2,466	100.0%
Other Retail				
Less than or equal to 80%	$ 11,455	$ 1,120	$ 12,575	78.0%
Over 80% through 90%	2,100	436	2,536	15.7
Over 90% through 100%	623	329	952	5.9
Over 100%	43	25	68	.4
Total	$ 14,221	$ 1,910	$ 16,131	100.0%

Total Company				
Less than or equal to 80%	$ 12,532	$ 1,314	$ 13,846	74.4%
Over 80% through 90%	2,550	567	3,117	16.8
Over 90% through 100%	930	533	1,463	7.9
Over 100%	91	80	171	.9
Total	$ 16,103	$ 2,494	$ 18,597	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.*

Within the consumer finance division, at June 30, 2011, approximately $2.0 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, compared with $2.1 billion at December 31, 2010.

The following table provides further information on the loan-to-values of residential mortgages specifically for the consumer finance division at June 30, 2011:

(Dollars in Millions)	Interest Only	Amortizing	Total	Percent of Division
Sub-Prime Borrowers				
Less than or equal to 80%	$ 4	$ 932	$ 936	7.7%
Over 80% through 90%	2	458	460	3.8
Over 90% through 100%	12	538	550	4.6
Over 100%		39	39	.3
Total	$ 18	$ 1,967	$ 1,985	16.4%
Other Borrowers				
Less than or equal to 80%	$ 1,379	$ 4,409	$ 5,788	47.7%
Over 80% through 90%	436	2,269	2,705	22.3
Over 90% through 100%	386	1,146	1,532	12.6
Over 100%		128	128	1.0
Total	$ 2,201	$ 7,952	$ 10,153	83.6%
Total Consumer Finance	$ 2,219	$ 9,919	$ 12,138	100.0%

In addition to residential mortgages, at June 30, 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 June 30, 2011:

(Dollars in Millions)	Lines	Loans	Total	Percent of Total

Sub-Prime Borrowers				
Less than or equal to 80%	$ 62	$ 114	$ 176	7.1%
Over 80% through 90%	40	72	112	4.6
Over 90% through 100%	6	124	130	5.3
Over 100%	31	46	77	3.1
Total	$ 139	$ 356	$ 495	20.1%
Other Borrowers				
Less than or equal to 80%	$ 1,015	$ 80	$ 1,095	44.4%
Over 80% through 90%	410	59	469	19.0
Over 90% through 100%	301	80	381	15.4
Over 100%	17	9	26	1.1
Total	$ 1,743	$ 228	$ 1,971	79.9%
Total Consumer Finance	$ 1,882	$ 584	$ 2,466	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 June 30, 2011, compared with .9 percent at December 31, 2010. Covered loans included $1.4 billion in loans with negative-amortization payment options at June 30, 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	June 30, 2011	December 31, 2010
Commercial		
Commercial	.09%	.15%
Lease financing	.02	.02
Total commercial	.09	.13
Commercial Real Estate		
Commercial mortgages		
Construction and development	.01	.01
Total commercial real estate	.01	
Residential Mortgages	1.13	1.63
Retail		
Credit card	1.32	1.86
Retail leasing	.02	.05
Other retail	.39	.49
Total retail	.60	.81
Total loans, excluding covered loans	.44	.61
Covered Loans	5.66	6.04
Total loans	.87%	1.11%

90 days or more past due **including** nonperforming loans	June 30, 2011	December 31, 2010
Commercial	.86%	1.37%
Commercial real estate	3.85	3.73
Residential mortgages (a)	3.16	3.70
Retail (b)	1.11	1.26
Total loans, excluding covered loans	1.94	2.19
Covered loans	12.01	12.94
Total loans	2.77%	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 10.81 percent at June 30, 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 1.45 percent at June 30, 2011, and 1.60 percent at December 31, 2010.

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 $1.7 billion ($804 million excluding covered loans) at June 30, 2011, compared with $2.2 billion ($1.1 billion excluding covered loans) at December 31, 2010. The $290 million (26.5 percent) decrease, excluding covered loans, reflected a moderation in the level of stress in economic conditions in the first six months 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 .87 percent (.44 percent excluding covered loans) at June 30, 2011, compared with 1.11 percent (.61 percent excluding covered loans) at December 31, 2010.

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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)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Residential mortgages				
30-89 days	$ 368	$ 456	1.11%	1.48%
90 days or more	375	500	1.13	1.63
Nonperforming	671	636	2.03	2.07
Total	$ 1,414	$ 1,592	4.27%	5.18%
Retail				
Credit card				
30-89 days	$ 216	$ 269	1.34%	1.60%
90 days or more	213	313	1.32	1.86
Nonperforming	256	228	1.59	1.36
Total	$ 685	$ 810	4.25%	4.82%
Retail leasing				
30-89 days	$ 10	$ 17	.20%	.37%
90 days or more	1	2	.02	.05
Nonperforming				
Total	$ 11	$ 19	.22%	.42%
Home equity and second mortgages				
30-89 days	$ 145	$ 175	.78%	.93%
90 days or more	121	148	.65	.78
Nonperforming	41	36	.22	.19
Total	$ 307	$ 359	1.65%	1.90%
Other retail				
30-89 days	$ 154	$ 212	.62%	.85%
90 days or more	49	66	.20	.26
Nonperforming	32	29	.13	.12
Total	$ 235	$ 307	.95%	1.23%

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	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010

Residential mortgages				
30-89 days	1.78%	2.38%	.72%	.95%
90 days or more	1.67	2.26	.83	1.24
Nonperforming	2.74	2.99	1.61	1.52
Total	6.19%	7.63%	3.16%	3.71%
Retail				
Credit card				
30-89 days	%	%	1.34%	1.60%
90 days or more			1.32	1.86
Nonperforming			1.59	1.36
Total	%	%	4.25%	4.82%
Retail leasing				
30-89 days	%	%	.20%	.37%
90 days or more			.02	.05
Nonperforming				
Total	%	%	.22%	.42%
Home equity and second mortgages				
30-89 days	1.58%	1.98%	.66%	.76%
90 days or more	1.14	1.82	.58	.62
Nonperforming	.20	.20	.22	.19
Total	2.92%	4.00%	1.46%	1.57%
Other retail				
30-89 days	4.16%	4.42%	.55%	.77%
90 days or more	.76	.68	.19	.25
Nonperforming			.13	.12
Total	4.92%	5.10%	.87%	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 June 30, 2011, approximately $346 million and $60 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)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
30-89 days	$ 590	$ 757	3.59%	4.19%
90 days or more	928	1,090	5.66	6.04
Nonperforming	1,041	1,244	6.35	6.90
Total	$ 2,559	$ 3,091	15.60%	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.

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 June 30, 2011 and December 31, 2010.
In addition, the Company has 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):

June 30, 2011	Performing	As a Percent of Performing TDRs		Nonperforming	Total
(Dollars in Millions)	TDRs	30-89 Days Past Due	90 Days or more Past Due	TDRs	TDRs
Commercial	$ 65	5.3%	2.8%	$ 78 (b)	$ 143
Commercial real estate	225	2.9		119 (b)	344
Residential mortgages (a)	1,939	5.4	4.1	161	2,100
Credit card	212	10.5	6.1	256 (c)	468
Other retail	91	9.2	6.0	31	122
Total	$ 2,532	5.8%	3.9%	$ 645	$ 3,177

(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.

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)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Commercial	$ 65	$ 77	.13%	.16%
Commercial real estate	225	15	.63	.04
Residential mortgages (a)	1,939	1,804	5.86	5.87
Credit card	212	224	1.32	1.33
Other retail	91	87	.19	.18
Total	$ 2,532	$ 2,207	1.27%	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 $325 million higher at June 30, 2011, than at December 31, 2010, primarily reflecting loan modifications for certain real estate-related customers in light of current economic conditions. The Company continues to work with customers to modify loans for borrowers who are having financial difficulties, including those acquired through FDIC-assisted acquisitions.

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 June 30, 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 1.2 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 1.1 percent of total commercial and commercial real estate loan balances at June 30, 2011, unchanged from 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.

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 June 30, 2011 included $287 million of loans and other real estate acquired through the 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 June 30, 2011, total nonperforming assets were $4.7 billion, compared with $5.0 billion at December 31, 2010. Excluding covered assets, nonperforming assets were $3.3 billion at June 30, 2011, compared with $3.4 billion at December 31, 2010. The $89 million (2.7 percent) decline was principally in the commercial portfolio, reflecting the stabilizing economy. However, stress continued in the commercial and residential mortgage portfolios due to the overall duration of the economic slowdown. Nonperforming covered assets at June 30, 2011, were $1.4 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 2.32 percent (1.77 percent excluding covered assets) at June 30, 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)	June 30, 2011	December 31, 2010
Commercial		
Commercial	$ 349	$ 519
Lease financing	43	78
Total commercial	392	597
Commercial Real Estate		
Commercial mortgages	650	545
Construction and development	714	748
Total commercial real estate	1,364	1,293
Residential Mortgages	671	636
Retail		
Credit card	256	228
Retail leasing		
Other retail	73	65
Total retail	329	293
Total nonperforming loans, excluding covered loans	2,756	2,819
Covered Loans	1,041	1,244
Total nonperforming loans	3,797	4,063
Other Real Estate (b)(c)	489	511
Covered Other Real Estate (c)	348	453
Other Assets	17	21
Total nonperforming assets	$ 4,651	$ 5,048
Total nonperforming assets, excluding covered assets	$ 3,262	$ 3,351
Excluding covered assets:		
Accruing loans 90 days or more past due	$ 804	$ 1,094
Nonperforming loans to total loans	1.50%	1.57%
Nonperforming assets to total loans plus other real estate (b)	1.77%	1.87%
Including covered assets:		
Accruing loans 90 days or more past due	$ 1,732	$ 2,184
Nonperforming loans to total loans	1.90%	2.06%
Nonperforming assets to total loans plus other real estate (b)	2.32%	2.55%

Changes in Nonperforming Assets

(Dollars in Millions)	Commercial and Commercial Real Estate	Retail and Residential Mortgages (e)	Total
Balance December 31, 2010	$ 3,596	$ 1,452	$ 5,048
Additions to nonperforming assets			
New nonaccrual loans and foreclosed properties	1,277	387	1,664
Advances on loans	51		51
Total additions	1,328	387	1,715
Reductions in nonperforming assets			
Paydowns, payoffs	(555)	(142)	(697)
Net sales	(320)	(106)	(426)
Return to performing status	(326)	(24)	(350)
Charge-offs (d)	(532)	(107)	(639)
Total reductions	(1,733)	(379)	(2,112)
Net additions to (reductions in) nonperforming assets	(405)	8	(397)
Balance June 30, 2011	$ 3,191	$ 1,460	$ 4,651

(a) *Throughout this document, nonperforming assets and related ratios do not include accruing loans 90 days or more past due.*
(b) *Excludes $632 million and $575 million at June 30, 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.*

The Company expects total nonperforming assets to trend lower in the third quarter of 2011.

Other real estate, excluding covered assets, was $489 million at June 30, 2011, compared with $511 million at December 31, 2010, and was related to foreclosed properties that previously secured loan balances.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Commercial				
Commercial	.75%	2.23%	.97%	2.32%
Lease financing	.88	1.41	.91	1.78
Total commercial	.77	2.12	.96	2.25
Commercial Real Estate				
Commercial mortgages	.90	1.11	.75	.92
Construction and development	5.67	7.31	5.13	7.06
Total commercial real estate	1.85	2.67	1.65	2.47
Residential Mortgages	1.46	2.06	1.55	2.14
Retail				
Credit card (a)	5.45	7.79	5.83	7.76
Retail leasing		.37	.04	.41
Home equity and second mortgages	1.64	1.64	1.69	1.76
Other retail	1.16	1.70	1.25	1.81
Total retail	2.28	3.16	2.43	3.23
Total loans, excluding covered loans	1.63	2.61	1.72	2.64
Covered Loans	.12	.10	.08	.08
Total loans	1.51%	2.34%	1.58%	2.36%

(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 5.62 percent and 8.53 percent for the three months ended June 30, 2011 and 2010, respectively, and 6.03 percent and 8.47 percent for the six months ended June 30, 2011 and 2010, respectively.

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)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Residential				

Minnesota	$ 24	$ 28	.44%	.53%
California	20	21	.30	.34
Illinois	15	16	.51	.57
Colorado	14	9	.40	.27
Washington	12	9	.38	.29
All other states	123	135	.41	.47
Total residential	208	218	.40	.44
Commercial				
Nevada	63	58	4.71	3.93
Oregon	28	26	.79	.74
California	22	23	.16	.18
Ohio	20	20	.47	.48
Utah	18	11	.97	.64
All other states	130	155	.21	.26
Total commercial	281	293	.33	.35
Total OREO	$ 489	$ 511	.27%	.29%

Analysis of Loan Net Charge-Offs Total net charge-offs were $747 million for the second quarter and $1.6 billion for the first six months of 2011, compared with net charge-offs of $1.1 billion and $2.2 billion for the same periods of 2010. The ratio of total loan net charge-offs to average loans outstanding on an annualized basis for the second quarter and first six months of 2011 was 1.51 percent and 1.58 percent, respectively, compared with 2.34 percent and 2.36 percent, for the same periods of 2010. The year-over-year decreases in total net charge-offs were principally due to improvement in the commercial, commercial real estate, credit card and other retail loan portfolios. The Company expects the level of net charge-offs to continue to trend lower in the third quarter of 2011.

Commercial and commercial real estate loan net charge-offs for the second quarter of 2011 were $260 million (1.22 percent of average loans outstanding on an annualized basis), compared with $472 million (2.35 percent of average loans outstanding on an annualized basis) for the second quarter of 2010. Commercial and commercial real estate loan net charge-offs for the first six months of 2011 were $524 million (1.25 percent of average loans outstanding on an annualized basis), compared with $941 million (2.34 percent of average loans outstanding on an annualized basis) for the first six months of 2010. The decreases 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 second quarter of 2011 were $119 million (1.46 percent of average loans outstanding on an annualized basis), compared with $138 million (2.06 percent of average loans outstanding on an annualized basis) for the second quarter of 2010. Residential mortgage loan net charge-offs for the first six months of 2011 were $248 million (1.55 percent of average loans outstanding on an annualized basis), compared with $283 million (2.14 percent of average loans outstanding on an annualized basis) for the first six months of 2010.

Retail

loan net charge-offs for the second quarter of 2011 were $363 million (2.28 percent of average loans outstanding on an annualized basis), compared with $499 million (3.16 percent of average loans outstanding on an annualized basis) for the second quarter of 2010. Retail loan net charge-offs for the first six months of 2011 were $773 million (2.43 percent of average loans outstanding on an annualized basis), compared with $1.0 billion (3.23 percent of average loans outstanding on an annualized basis) for the first six months of 2010. The year-over-year decreases in residential mortgage and retail loan net charge-offs 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 June 30,				Six Months Ended June 30,			
	Average Loans		Percent of Average Loans		Average Loans		Percent of Average Loans	
(Dollars in Millions)	2011	2010	2011	2010	2011	2010	2011	2010
Consumer Finance (a)								
Residential mortgages	$ 12,083	$ 10,487	2.82%	3.71%	$ 11,989	$ 10,415	3.01%	3.93%
Home equity and second mortgages	2,477	2,462	4.37	5.38	2,492	2,468	4.69	5.80
Other retail	539	610	1.49	1.97	554	606	2.55	3.33
Other Retail								
Residential mortgages	$ 20,651	$ 16,334	.66%	1.01%	$ 20,269	$ 16,201	.69%	1.00%
Home equity and second mortgages	16,157	16,870	1.22	1.09	16,225	16,899	1.23	1.17
Other retail	23,959	22,747	1.16	1.69	24,040	22,744	1.22	1.77
Total Company								
Residential mortgages	$ 32,734	$ 26,821	1.46%	2.06%	$ 32,258	$ 26,616	1.55%	2.14%
Home equity and second mortgages	18,634	19,332	1.64	1.64	18,717	19,367	1.69	1.76
Other retail	24,498	23,357	1.16	1.70	24,594	23,350	1.25	1.81

(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 June 30,				Six Months Ended June 30,			
	Average Loans		Percent of Average Loans		Average Loans		Percent of Average Loans	
(Dollars in Millions)	2011	2010	2011	2010	2011	2010	2011	2010
Residential mortgages								
Sub-prime borrowers	$ 2,009	$ 2,347	5.79%	6.15%	$ 2,045	$ 2,390	6.11%	6.41%
Other borrowers	10,074	8,140	2.23	3.01	9,944	8,025	2.37	3.19

Total	$ 12,083	$ 10,487	2.82%	3.71%	$ 11,989	$ 10,415	3.01%	3.93%
Home equity and second mortgages								
Sub-prime borrowers	$ 502	$ 581	8.79%	10.36%	$ 514	$ 595	9.81%	10.85%
Other borrowers	1,975	1,881	3.25	3.84	1,978	1,873	3.36	4.20
Total	$ 2,477	$ 2,462	4.37%	5.38%	$ 2,492	$ 2,468	4.69%	5.80%

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 June 30, 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.

Table 8 Summary of Allowance for Credit Losses

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Balance at beginning of period	$ 5,498	$ 5,439	$ 5,531	$ 5,264
Charge-offs				
Commercial				
Commercial	103	232	240	483
Lease financing	22	35	46	80
Total commercial	125	267	286	563
Commercial real estate				
Commercial mortgages	70	71	115	118
Construction and development	105	159	200	310
Total commercial real estate	175	230	315	428
Residential mortgages	123	141	256	287
Retail				
Credit card	241	333	509	661
Retail leasing	2	7	6	16
Home equity and second mortgages	82	83	167	177
Other retail	97	119	203	251
Total retail	422	542	885	1,105
Covered loans (a)	5	6	7	9
Total charge-offs	850	1,186	1,749	2,392
Recoveries				
Commercial				
Commercial	20	9	32	17
Lease financing	9	13	19	24
Total commercial	29	22	51	41
Commercial real estate				
Commercial mortgages	6		11	1
Construction and development	5	3	15	8
Total commercial real estate	11	3	26	9
Residential mortgages	4	3	8	4
Retail				
Credit card	25	16	46	32
Retail leasing	2	3	5	7
Home equity and second mortgages	6	4	10	8
Other retail	26	20	51	41

Total retail	59	43	112	88
Covered loans (a)		1		1
Total recoveries	103	72	197	143
Net Charge-offs				
Commercial				
Commercial	83	223	208	466
Lease financing	13	22	27	56
Total commercial	96	245	235	522
Commercial real estate				
Commercial mortgages	64	71	104	117
Construction and development	100	156	185	302
Total commercial real estate	164	227	289	419
Residential mortgages	119	138	248	283
Retail				
Credit card	216	317	463	629
Retail leasing		4	1	9
Home equity and second mortgages	76	79	157	169
Other retail	71	99	152	210
Total retail	363	499	773	1,017
Covered loans (a)	5	5	7	8
Total net charge-offs	747	1,114	1,552	2,249
Provision for credit losses	572	1,139	1,327	2,449
Net change for credit losses to be reimbursed by the FDIC	(15)	72	2	72
Balance at end of period	$ 5,308	$ 5,536	$ 5,308	$ 5,536
Components				
Allowance for loan losses, excluding losses to be reimbursed by the FDIC	$ 4,977	$ 5,248		
Allowance for credit losses to be reimbursed by the FDIC	94	72		
Liability for unfunded credit commitments	237	216		
Total allowance for credit losses	$ 5,308	$ 5,536		
Allowance for credit losses as a percentage of				
Period-end loans, excluding covered loans	2.83%	3.18%		
Nonperforming loans, excluding covered loans	188	168		
Nonperforming assets, excluding covered assets	159	146		
Annualized net charge-offs, excluding covered loans	174	122		
Period-end loans	2.66	2.89		
Nonperforming loans	140	120		
Nonperforming assets	114	94		
Annualized net charge-offs	177	124		

Note: At June 30, 2011 and 2010, $2.0 billion and $2.4 billion, respectively, 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.

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At June 30, 2011, the allowance for credit losses was $5.3 billion (2.66 percent of total loans and 2.83 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. The Company decreased the allowance for credit losses by $15 million during the second quarter and increased the allowance for credit losses by $2 million during the first six months of 2011, compared with increases of $72 million for the same periods of the prior year, to reflect covered loan losses reimbursable by the FDIC. The ratio of the allowance for credit losses to nonperforming loans was 140 percent (188 percent excluding covered loans) at June 30, 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 177 percent at June 30, 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 June 30, 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 June 30, 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.

Sensitivity of Net Interest Income

	June 30, 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	*	2.05%	*	3.27%	*	1.64%	*	3.14%

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

Market Value of Equity Modeling The Company also manages interest rate sensitivity by utilizing market value of equity modeling, which measures the degree to which the market values of the Company s assets and liabilities and off-balance sheet instruments will change given a change in interest rates. Management measures the impact of changes in market interest rates under a number of scenarios, including immediate and sustained parallel shifts, and flattening or steepening of the yield curve. 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 3.3 percent decrease in the market value of equity at June 30, 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 6.7 percent decrease in the market value of equity at June 30, 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 June 30, 2011, the Company had $6.6 billion of forward commitments to sell mortgage loans hedging $3.3 billion of mortgage loans held for sale and $5.4 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 12 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

Table 9 Regulatory Capital Ratios

(Dollars in Millions)	June 30, 2011	December 31, 2010
Tier 1 capital	$ 27,795	$ 25,947
As a percent of risk-weighted assets	11.0%	10.5%
As a percent of adjusted quarterly average assets (leverage ratio)	9.2%	9.1%
Total risk-based capital	$ 35,109	$ 33,033
As a percent of risk-weighted assets	13.9%	13.3%

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 Company s trading VaR did not exceed $2 million during the first six months of 2011 and did not exceed $5 million during the first six months 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 June 30, 2011, parent company long-term debt outstanding was $14.0 billion, compared with $13.0 billion at December 31, 2010. The $1.0 billion increase was primarily due to $1.7 billion of medium-term note and subordinated debt issuances, partially offset by a $.7 billion extinguishment of junior subordinated debentures in connection with the issuance of perpetual preferred stock. As of June 30, 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 $7.0 billion at June 30, 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 June 30, 2011, and December 31, 2010. All regulatory ratios exceeded regulatory well-capitalized requirements. Total U.S. Bancorp shareholders equity was $32.5 billion at June 30, 2011, compared with $29.5 billion at December 31, 2010. The increase was primarily the result of corporate earnings, the issuance of $.7 billion of perpetual preferred stock in exchange for the extinguishment of income trust securities 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.

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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 equity (using Basel I definition) and tangible common equity, as a percent of risk-weighted assets, were 8.4 percent and 8.0 percent, respectively, at June 30, 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 6.5 percent at June 30, 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 8.1 percent at June 30, 2011, compared with 7.3 percent at December 31, 2010. Refer to Non-Regulatory Capital Ratios for further information regarding the calculation of these measures.

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. All shares repurchased during the second quarter of 2011 were repurchased under this authorization.

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

Time Period	Total Number of Shares Purchased as Part of the Program	Average Price Paid per Share	Maximum Number of Shares that May Yet Be Purchased Under the Program
April	13,498	$ 25.14	49,985,322
May	3,242	25.23	49,982,080
June	2,507,560	25.29	47,474,520
Total	2,524,300	$ 25.29	47,474,520

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 $265 million of the Company s net income in the second quarter and $473 million in the first six months of 2011, or increases of $169 million and $364 million, respectively, compared with the same periods of 2010. The increases were

primarily driven by higher net revenue and lower provision for credit losses, partially offset by higher noninterest expense.

Total net revenue increased $78 million (10.1 percent) in the second quarter and $148 million (9.8 percent) in the first six months of 2011, compared with the same periods of 2010. Net interest income, on a taxable-equivalent basis, increased $35 million (7.1 percent) in the second quarter and $82 million (8.6 percent) in the first six months of 2011, compared with the same periods of 2010. The year-over-year increases in net interest income were primarily due to higher average loan and deposit balances and increases in loan fees, partially offset by the impact of declining rates on the margin benefit from deposits. Total noninterest income increased $43 million (15.2 percent) in the second quarter and $66 million (11.9 percent) in the first six months of 2011, compared with the same periods of 2010. The increases were primarily due to growth in commercial products revenue, including syndication and other capital markets fees, commercial leasing, foreign exchange and international trade revenue, and commercial loan and standby letters of credit fees.

Total noninterest expense increased $24 million (7.9 percent) in the second quarter and $49 million (8.5 percent) in the first six months of 2011, compared with the same periods of 2010. The increases were primarily due to higher total compensation, employee benefits and FDIC deposit insurance expense and increased shared services costs, partially offset by lower

costs on OREO. The provision for credit losses decreased $204 million (63.9 percent) in the second quarter and $468 million (61.5 percent) in the first six months of 2011, compared with the same periods of 2010. The favorable changes were primarily due to lower net charge-offs in the second quarter and first six months of 2011, compared with the same periods of 2010. Nonperforming assets were $1.3 billion at June 30, 2011, $1.4 billion at March 31, 2011, and $2.0 billion at June 30, 2010. Nonperforming assets as a percentage of period-end loans were 2.22 percent at June 30, 2011, 2.50 percent at March 31, 2011, and 3.71 percent at June 30, 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, ATM processing and over mobile devices. 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 $192 million of the Company s net income in the second quarter and $331 million in the first six months of 2011, or increases of $40 million (26.3 percent), and $22 million (7.1 percent), respectively, compared with the same periods of 2010. The increases were due to lower provision for credit losses and increases in total net revenue, partially offset by higher total noninterest expense.

Within Consumer and Small Business Banking, the retail banking division contributed $56 million of the total net income in the second quarter and $75 million in the first six months of 2011, compared with $18 million and $75 million in the same periods of 2010. Mortgage banking contributed $136 million and $256 million of Consumer and Small Business Banking s net income in the second quarter and first six months of 2011, respectively, compared with $134 million and $234 million in the same periods of 2010.

Total net revenue increased $32 million (1.8 percent) in the second quarter and $76 million (2.2 percent) in the first six months of 2011, compared with the same periods of 2010. Net interest income, on a taxable-equivalent basis, increased $52 million (4.9 percent) in the second quarter and $152 million (7.2 percent) in the first six months of 2011, compared with the same periods of 2010. The year-over-year increases in net interest income were due to higher loan and deposit volumes, partially offset by declines in the margin benefit from deposits. Total noninterest income decreased $20 million (2.8 percent) in the second quarter and $76 million (5.5 percent) in the first six months of 2011, compared with the same periods of 2010. The year-over-year decreases in noninterest income were driven by reductions in deposit service charges, reflecting the impact of Company-initiated and regulatory revisions to overdraft fee policies, partially offset by core account growth and pricing changes. Retail lease residual valuation income increased year-over-year due to improved retail lease end of term results.

Total noninterest expense increased $43 million (3.9 percent) in the second quarter and $114 million (5.3 percent) in the first six months of 2011, compared with the same periods of 2010. The increases reflected higher compensation and employee benefits expense, FDIC deposit insurance expense, shared services costs and net occupancy and equipment expenses related to business initiatives, partially offset by lower other intangibles expense and litigation costs.

The provision for credit losses decreased $75 million (16.8 percent) in the second quarter and $69 million (8.2 percent) in the first six months of 2011, compared with the same periods of 2010, principally due to lower net charge-offs. As a percentage of average loans outstanding on an annualized basis, net charge-offs decreased to 1.31 percent in the second quarter of 2011, compared with 1.57 percent in the second quarter of 2010. Nonperforming assets were $1.7 billion at June 30, 2011, $1.8 billion at March 31, 2011, and $1.6 billion at June 30, 2010. Nonperforming assets as a percentage of period-end loans were 1.58 percent at June 30, 2011, 1.66 percent at March 31, 2011, and 1.60 percent at June 30, 2010. Refer to the Corporate Risk Profile section for further information on factors impacting the credit quality of the loan portfolios.

During the second quarter of 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 an interagency horizontal review of the foreclosure practices of the 14 largest mortgage servicers in the United States.

The Consent Orders mandate certain changes to the Company s mortgage servicing and foreclosure processes. Specifically, the Consent Orders require the Company, U.S. Bank National Association and U.S. Bank National Association ND to, among other things, submit a comprehensive action plan setting forth the steps necessary to ensure residential mortgage servicing and

Table 10 Line of Business Financial Performance

Three Months Ended June 30 (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)	$ 525	$ 490	7.1%	$ 1,123	$ 1,071	4.9%
Noninterest income	326	283	15.2	687	707	(2.8)
Securities gains (losses), net						
Total net revenue	851	773	10.1	1,810	1,778	1.8
Noninterest expense	322	298	8.1	1,116	1,067	4.6
Other intangibles	4	4		18	24	(25.0)
Total noninterest expense	326	302	7.9	1,134	1,091	3.9
Income before provision and income taxes	525	471	11.5	676	687	(1.6)
Provision for credit losses	115	319	(63.9)	372	447	(16.8)
Income before income taxes	410	152	*	304	240	26.7
Income taxes and taxable-equivalent adjustment	149	55	*	111	87	27.6
Net income	261	97	*	193	153	26.1
Net (income) loss attributable to noncontrolling interests	4	(1)	*	(1)	(1)	
Net income attributable to U.S. Bancorp	$ 265	$ 96	*	$ 192	$ 152	26.3
Average Balance Sheet						
Commercial	$ 36,075	$ 32,840	9.9%	$ 7,197	$ 7,141	.8%
Commercial real estate	19,103	19,452	(1.8)	15,590	13,786	13.1
Residential mortgages	54	71	(23.9)	32,282	26,364	22.4
Retail	6	51	(88.2)	45,450	44,381	2.4
Total loans, excluding covered loans	55,238	52,414	5.4	100,519	91,672	9.7
Covered loans	1,599	2,030	(21.2)	8,488	9,756	(13.0)
Total loans	56,837	54,444	4.4	109,007	101,428	7.5
Goodwill	1,604	1,608	(.2)	3,515	3,534	(.5)
Other intangible assets	55	71	(22.5)	2,244	2,005	11.9
Assets	63,028	59,999	5.0	121,847	114,379	6.5

Noninterest-bearing deposits	23,273	17,371	34.0	17,837	15,994	11.5
Interest checking	14,149	12,841	10.2	26,110	23,903	9.2
Savings products	9,350	9,758	(4.2)	40,530	35,763	13.3
Time deposits	12,609	10,876	15.9	24,629	26,510	(7.1)
Total deposits	59,381	50,846	16.8	109,106	102,170	6.8
Total U.S. Bancorp shareholders equity	5,497	5,373	2.3	9,236	8,395	10.0

	Wholesale Banking and Commercial Real Estate			Consumer and Small Business Banking		
Six Months Ended June 30 (Dollars in Millions)	2011	2010	Percent Change	2011	2010	Percent Change
Condensed Income Statement						
Net interest income (taxable-equivalent basis)	$ 1,034	$ 952	8.6%	$ 2,256	$ 2,104	7.2%
Noninterest income	619	553	11.9	1,294	1,370	(5.5)
Securities gains (losses), net						
Total net revenue	1,653	1,505	9.8	3,550	3,474	2.2
Noninterest expense	616	566	8.8	2,217	2,088	6.2
Other intangibles	8	9	(11.1)	36	51	(29.4)
Total noninterest expense	624	575	8.5	2,253	2,139	5.3
Income before provision and income taxes	1,029	930	10.6	1,297	1,335	(2.8)
Provision for credit losses	293	761	(61.5)	774	843	(8.2)
Income before income taxes	736	169	*	523	492	6.3
Income taxes and taxable-equivalent adjustment	268	60	*	191	182	4.9
Net income	468	109	*	332	310	7.1
Net (income) loss attributable to noncontrolling interests	5		*	(1)	(1)	
Net income attributable to U.S. Bancorp	$ 473	$ 109	*	$ 331	$ 309	7.1
Average Balance Sheet						
Commercial	$ 35,669	$ 33,319	7.1%	$ 7,156	$ 7,180	(.3)%
Commercial real estate	19,155	19,665	(2.6)	15,355	13,503	13.7
Residential mortgages	58	69	(15.9)	31,802	26,162	21.6
Retail	6	48	(87.5)	45,496	44,491	2.3
Total loans, excluding covered loans	54,888	53,101	3.4	99,809	91,336	9.3

Covered loans	1,730	2,091	(17.3)	8,621	9,861	(12.6)
Total loans	56,618	55,192	2.6	108,430	101,197	7.1
Goodwill	1,604	1,608	(.2)	3,525	3,531	(.2)
Other intangible assets	57	73	(21.9)	2,236	2,030	10.1
Assets	62,460	60,463	3.3	122,630	113,983	7.6
Noninterest-bearing deposits	21,650	16,758	29.2	17,510	15,785	10.9
Interest checking	14,074	13,385	5.1	25,743	23,569	9.2
Savings products	9,580	10,454	(8.4)	40,067	34,904	14.8
Time deposits	12,635	10,977	15.1	24,456	27,411	(10.8)
Total deposits	57,939	51,574	12.3	107,776	101,669	6.0
Total U.S. Bancorp shareholders equity	5,502	5,391	2.1	9,249	8,413	9.9

* *Not meaningful*

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
$ 78	10.3%	$ 326	$ 332	(1.8)%	$ 484	$ 438	10.5%	$ 2,544	$ 2,409	
277	(2.2)	831	791	5.1	39	73	(46.6)	2,154	2,131	
					(8)	(21)	61.9	(8)	(21)	
355	.6	1,157	1,123	3.0	515	490	5.1	4,690	4,519	
246	14.2	437	416	5.0	194	259	(25.1)	2,350	2,286	
13	(23.1)	43	50	(14.0)				75	91	
259	12.4	480	466	3.0	194	259	(25.1)	2,425	2,377	
96	(31.3)	677	657	3.0	321	231	39.0	2,265	2,142	
2	*	89	358	(75.1)	2	13	(84.6)	572	1,139	
94	(23.4)	588	299	96.7	319	218	46.3	1,693	1,003	
34	(23.5)	214	109	96.3	14	(34)	*	514	251	
60	(23.3)	374	190	96.8	305	252	21.0	1,179	752	
		(10)	(8)	(25.0)	31	24	29.2	24	14	
$ 60	(23.3)	$ 364	$ 182	*	$ 336	$ 276	21.7	$ 1,203	$ 766	
$ 1,085	(.7)%	$ 5,627	$ 5,162	9.0%	$ 78	$ 112	(30.4)%	$ 50,054	$ 46,340	
569	1.9				226	357	(36.7)	35,499	34,164	
372	5.4				6	14	(57.1)	32,734	26,821	
1,596	(1.1)	16,789	17,338	(3.2)		16	*	63,824	63,382	
3,622	.2	22,416	22,500	(.4)	310	499	(37.9)	182,111	170,707	
15	(13.3)	5		*	6,594	8,653	(23.8)	16,699	20,454	
3,637	.1	22,421	22,500	(.4)	6,904	9,152	(24.6)	198,810	191,161	
1,522	(3.9)	2,370	2,335	1.5				8,952	8,999	
208	(9.6)	807	971	(16.9)	5	7	(28.6)	3,299	3,262	
5,808	3.7	27,564	27,212	1.3	94,146	73,942	27.3	312,610	281,340	
5,749	15.4	711	611	16.4	264	192	37.5	48,721	39,917	
2,636	10.0	173	115	50.4	2	8	(75.0)	43,334	39,503	
14,527	47.4	29	23	26.1	214	220	(2.7)	71,536	60,291	
5,884	43.8		1	*	123	336	(63.4)	45,820	43,607	
28,796	36.9	913	750	21.7	603	756	(20.2)	209,411	183,318	
2,119	(1.9)	5,245	5,286	(.8)	9,911	6,246	58.7	31,967	27,419	

Management and urities Services		Payment Services			Treasury and Corporate Support			Consolidated Company		
	Percent			Percent			Percent			Pe
2010	Change	2011	2010	Change	2011	2010	Change	2011	2010	Ch
$ 143	22.4%	$ 656	$ 678	(3.2)%	$ 930	$ 935	(.5)%	$ 5,051	$ 4,812	
553	(2.4)	1,592	1,533	3.8	126	74	70.3	4,171	4,083	
					(13)	(55)	76.4	(13)	(55)	
696	2.7	2,248	2,211	1.7	1,043	954	9.3	9,209	8,840	
479	14.0	850	800	6.3	360	392	(8.2)	4,589	4,325	
27	(25.9)	86	101	(14.9)				150	188	
506	11.9	936	901	3.9	360	392	(8.2)	4,739	4,513	
190	(21.6)	1,312	1,310	.2	683	562	21.5	4,470	4,327	
4	*	254	821	(69.1)	7	20	(65.0)	1,327	2,449	
186	(19.4)	1,058	489	*	676	542	24.7	3,143	1,878	
65	(16.9)	385	177	*	37	(21)	*	935	463	
121	(20.7)	673	312	*	639	563	13.5	2,208	1,415	
		(19)	(15)	(26.7)	56	36	55.6	41	20	
$ 121	(20.7)	$ 654	$ 297	*	$ 695	$ 599	16.0	$ 2,249	$ 1,435	
$ 1,058	(.9)%	$ 5,425	$ 5,023	8.0%	$ 89	$ 225	(60.4)%	$ 49,387	$ 46,805	
566	3.4				245	419	(41.5)	35,340	34,153	
373	3.8				11	12	(8.3)	32,258	26,616	
1,564	3.1	16,928	17,375	(2.6)		24	*	64,043	63,502	
3,561	2.0	22,353	22,398	(.2)	345	680	(49.3)	181,028	171,076	
15	(13.3)	1		*	6,801	8,972	(24.2)	17,166	20,939	
3,576	2.0	22,354	22,398	(.2)	7,146	9,652	(26.0)	198,194	192,015	
1,518	(3.6)	2,364	2,348	.7				8,956	9,005	
214	(10.3)	823	987	(16.6)	5	6	(16.7)	3,313	3,310	
5,769	4.6	27,399	27,098	1.1	91,744	74,217	23.6	310,266	281,530	
5,560	15.0	698	610	14.4	217	251	(13.5)	46,467	38,964	
2,656	13.1	169	110	53.6	2	27	(92.6)	42,991	39,747	
13,965	53.2	28	22	27.3	185	270	(31.5)	71,259	59,615	
5,644	55.4		1	*	294	568	(48.2)	46,154	44,601	
27,825	42.2	895	743	20.5	698	1,116	(37.5)	206,871	182,927	
2,118	(1.9)	5,270	5,318	(.9)	8,896	5,679	56.6	30,994	26,919	

foreclosure processes are conducted in accordance with the Consent Orders; develop and implement other plans and programs to enhance residential mortgage servicing and foreclosure processes; retain an independent consultant to conduct a review of certain residential mortgage foreclosure actions and to remediate errors or deficiencies identified by the consultant; and oversee compliance with the Consent Orders and the new plans and programs. The Company has made significant progress in complying with these requirements during the last several months.

The Company has long been committed to sound modification and foreclosure practices and is committed to revising its practices where necessary to satisfy the requirements of the Consent Orders. 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 $46 million of the Company s net income in the second quarter and $96 million in the first six months of 2011, or decreases of $14 million (23.3 percent) and $25 million (20.7 percent), respectively, compared with the same periods of 2010. The decreases were due to higher total noninterest expense, partially offset by increases in total net revenue.

Total net revenue increased $2 million (.6 percent) in the second quarter and $19 million (2.7 percent) in the first six months of 2011, compared with the same periods of 2010. Net interest income, on a taxable-equivalent basis, increased $8 million (10.3 percent) in the second quarter and $32 million (22.4 percent) in the first six months of 2011, compared with the same periods of 2010. The year-over-year increases in net interest income were primarily due to higher average deposit balances, including the impact of the securitization trust acquisition. Total noninterest income declined $6 million (2.2 percent) in the second quarter and $13 million (2.4 percent) in the first six months of 2011, compared with the same periods of 2010. Trust and investment management fees declined, primarily due to the sale 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 second quarter and first six months of 2011. Additionally, investment product fees were higher due to increased sales volumes.

Total noninterest expense increased $32 million (12.4 percent) in the second quarter and $60 million (11.9 percent) in the first six months of 2011, compared with the same periods of 2010. The increases in noninterest expense were primarily due to higher compensation and employee benefits expense, higher net shared services expense and the impact of the securitization trust acquisition, partially offset by reductions in other intangibles expense and expenses related to the sale of the long-term asset management business.

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 $364 million of the Company s net income in the second quarter and $654 million in the first six months of 2011, or increases of $182 million and $357 million, respectively, compared with the same periods of 2010. The increases were primarily due to decreases in the provision for credit losses.

Total net revenue increased $34 million (3.0 percent) in the second quarter and $37 million (1.7 percent) in the first six months of 2011, compared with the same periods of 2010. Net interest income, on a taxable-equivalent basis, decreased $6 million (1.8 percent) in the second quarter and $22 million (3.2 percent) in the first six months of 2011, compared with the same periods of 2010, primarily due to lower retail credit card average loan balances and loan fees. Noninterest income increased $40 million (5.1 percent) in the second quarter and $59 million (3.8 percent) in the first six months of 2011, compared with the same periods of 2010, primarily due to increased transaction volumes.

Total noninterest expense increased $14 million (3.0 percent) in the second quarter and $35 million (3.9 percent) in the first six months of 2011, compared with the same periods of 2010. The increases were driven by higher compensation and employee benefits expense and processing costs, partially offset by lower other intangibles

expense. The provision for credit losses decreased $269 million (75.1 percent) in the second quarter and $567 million (69.1 percent) in the first six months of 2011, compared with the same periods of 2010. The decreases were due to lower net charge-offs and favorable changes in the reserve allocation due to improved loss rates. As a percentage of average loans outstanding, net charge-offs were 4.70 percent in the second quarter of 2011, compared with 6.72 percent in the second 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 $336 million in the second quarter and $695 million in the first six months of 2011, compared with $276 million in the second quarter and $599 million in the first six months of 2010.

Total net revenue increased $25 million (5.1 percent) in the second quarter and $89 million (9.3 percent) in the first six months of 2011, compared with the same periods of 2010. Net interest income, on a taxable-equivalent basis, increased $46 million (10.5 percent) in the second quarter and decreased $5 million (.5 percent) in the first six months of 2011, compared with the same periods of 2010, reflecting the impact of wholesale funding decisions and the Company s asset/liability position. Total noninterest income decreased $21 million (40.4 percent) in the second quarter of 2011, compared with the second quarter of 2010, due to a gain related to the Company s investment in Visa Inc. recorded in the second quarter of 2010, partially offset by lower net securities losses. Total noninterest income increased $94 million in the first six months of 2011, compared with the same period of 2010, principally due to the FCB gain recorded in the first quarter of 2011 and lower net securities losses.

Total noninterest expense decreased $65 million (25.1 percent) in the second quarter and $32 million (8.2 percent) in the first six months of 2011, compared with the same periods of 2010, as favorable variances in the shared services allocation and the impact of debt extinguishment costs recorded in the second quarter of 2010, were partially offset by higher pension and professional services 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 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.

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The following table shows the Company s calculation of these measures:

(Dollars in Millions)	June 30, 2011	December 31, 2010
Total equity	$ 33,341	$ 30,322
Preferred stock	(2,606)	(1,930)
Noncontrolling interests	(889)	(803)
Goodwill (net of deferred tax liability)	(8,300)	(8,337)
Intangible assets, other than mortgage servicing rights	(1,277)	(1,376)
Tangible common equity (a)	20,269	17,876
Tier 1 capital, determined in accordance with prescribed regulatory requirements using Basel I definition	27,795	25,947
Trust preferred securities	(3,267)	(3,949)
Preferred stock	(2,606)	(1,930)
Noncontrolling interests, less preferred stock not eligible for Tier 1 capital	(695)	(692)
Tier 1 common equity using Basel I definition (b)	21,227	19,376
Tier 1 capital, determined in accordance with prescribed regulatory requirements using anticipated Basel III definition	23,931	20,854
Preferred stock	(2,606)	(1,930)
Noncontrolling interests of real estate investment trusts	(667)	(667)
Tier 1 common equity using anticipated Basel III definition (c)	20,658	18,257
Total assets	320,874	307,786
Goodwill (net of deferred tax liability)	(8,300)	(8,337)
Intangible assets, other than mortgage servicing rights	(1,277)	(1,376)
Tangible assets (d)	311,297	298,073
Risk-weighted assets, determined in accordance with prescribed regulatory requirements using Basel I definition (e)	252,882	247,619
Risk-weighted assets using anticipated Basel III definition (f)	256,205	251,704
Ratios		
Tangible common equity to tangible assets (a)/(d)	6.5%	6.0%
Tier 1 common equity to risk-weighted assets using Basel I definition (b)/(e)	8.4	7.8
Tier 1 common equity to risk-weighted assets using anticipated Basel III definition (c)/(f)	8.1	7.3
Tangible common equity to risk-weighted assets (a)/(e)	8.0	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)	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and due from banks	$ 15,250	$ 14,487
Investment securities		
Held-to-maturity (fair value $13,431 and $1,419, respectively)	13,280	1,469
Available-for-sale	52,299	51,509
Loans held for sale (included $3,304 and $8,100 of mortgage loans carried at fair value, respectively)	3,543	8,371
Loans		
Commercial	50,550	48,398
Commercial real estate	35,490	34,695
Residential mortgages	33,110	30,732
Retail	64,331	65,194
Total loans, excluding covered loans	183,481	179,019
Covered loans	16,401	18,042
Total loans	199,882	197,061
Less allowance for loan losses	(5,071)	(5,310)
Net loans	194,811	191,751
Premises and equipment	2,529	2,487
Goodwill	8,950	8,954
Other intangible assets	3,266	3,213
Other assets	26,946	25,545
Total assets	$ 320,874	$ 307,786
Liabilities and Shareholders Equity		
Deposits		
Noninterest-bearing	$ 57,310	$ 45,314
Interest-bearing	128,087	129,381
Time deposits greater than $100,000	29,486	29,557
Total deposits	214,883	204,252
Short-term borrowings	29,654	32,557
Long-term debt	32,830	31,537
Other liabilities	10,166	9,118
Total liabilities	287,533	277,464
Shareholders equity		
Preferred stock	2,606	1,930
Common stock, par value $0.01 a share authorized: 4,000,000,000 shares;		

issued: 6/30/11 and 12/31/10 2,125,725,742 shares	21	21
Capital surplus	8,235	8,294
Retained earnings	28,701	27,005
Less cost of common stock in treasury: 6/30/11 201,118,719 shares; 12/31/10 204,822,330 shares	(6,134)	(6,262)
Accumulated other comprehensive income (loss)	(977)	(1,469)
Total U.S. Bancorp shareholders equity	32,452	29,519
Noncontrolling interests	889	803
Total equity	33,341	30,322
Total liabilities and equity	$ 320,874	$ 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 June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest Income				
Loans	$ 2,563	$ 2,515	$ 5,115	$ 5,020
Loans held for sale	34	47	97	91
Investment securities	459	394	887	804
Other interest income	63	39	120	73
Total interest income	3,119	2,995	6,219	5,988
Interest Expense				
Deposits	210	229	444	465
Short-term borrowings	131	137	264	265
Long-term debt	290	272	571	549
Total interest expense	631	638	1,279	1,279
Net interest income	2,488	2,357	4,940	4,709
Provision for credit losses	572	1,139	1,327	2,449
Net interest income after provision for credit losses	1,916	1,218	3,613	2,260
Noninterest Income				
Credit and debit card revenue	286	266	553	524
Corporate payment products revenue	185	178	360	346
Merchant processing services	338	320	639	612
ATM processing services	114	108	226	213
Trust and investment management fees	258	267	514	531
Deposit service charges	162	199	305	406
Treasury management fees	144	145	281	282
Commercial products revenue	218	205	409	366
Mortgage banking revenue	239	243	438	443
Investment products fees and commissions	35	30	67	55
Securities gains (losses), net				
Realized gains (losses), net	1		2	12
Total other-than-temporary impairment	(19)	(30)	(30)	(117)
Portion of other-than-temporary impairment recognized in other comprehensive income	10	9	15	50
Total securities gains (losses), net	(8)	(21)	(13)	(55)
Other	175	170	379	305
Total noninterest income	2,146	2,110	4,158	4,028
Noninterest Expense				
Compensation	1,004	946	1,963	1,807

Employee benefits	210	172	440	352
Net occupancy and equipment	249	226	498	453
Professional services	82	73	152	131
Marketing and business development	90	86	155	146
Technology and communications	189	186	374	371
Postage, printing and supplies	76	75	150	149
Other intangibles	75	91	150	188
Other	450	522	857	916
Total noninterest expense	2,425	2,377	4,739	4,513
Income before income taxes	1,637	951	3,032	1,775
Applicable income taxes	458	199	824	360
Net income	1,179	752	2,208	1,415
Net (income) loss attributable to noncontrolling interests	24	14	41	20
Net income attributable to U.S. Bancorp	$ 1,203	$ 766	$ 2,249	$ 1,435
Net income applicable to U.S. Bancorp common shareholders	$ 1,167	$ 862	$ 2,170	$ 1,510
Earnings per common share	$ .61	$ .45	$ 1.13	$ .79
Diluted earnings per common share	$ .60	$ .45	$ 1.12	$ .79
Dividends declared per common share	$ .125	$ .050	$ .250	$ .100
Average common shares outstanding	1,921	1,912	1,920	1,911
Average diluted common shares outstanding	1,929	1,921	1,929	1,920

See Notes to Consolidated Financial Statements.

U.S. Bancorp
Consolidated Statement of Shareholders Equity

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
	U.S. Bancorp Shareholders									
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)					1,435			1,435	(20)	
s in unrealized gains and n securities e-for-sale							855	855		
han-temporary impairment ognized in earnings on es available-for-sale							(50)	(50)		
zed loss on derivative							(206)	(206)		
currency translation							30	30		
ification for realized							56	56		
taxes							(261)	(261)		
omprehensive income								1,859	(20)	
d stock dividends					(37)			(37)		
n stock dividends					(192)			(192)		
e of preferred stock		430		10	118			558		
e of common and treasury	5			(97)		143		46		
e of treasury stock	(1)					(15)		(15)		
tions to noncontrolling s									(36)	
er changes in trolling interests									145	
ption and restricted stock				60				60		
e June 30, 2010	1,917	$ 1,930	$ 21	$ 8,292	$ 25,367	$ (6,381)	$ (1,060)	$ 28,169	$ 771	$ 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)					2,249			2,249	(41)	
							802	802		

s in unrealized gains and n securities e-for-sale										
han-temporary impairment gnized in earnings on es available-for-sale							(15)	(15)		
zed gain on derivative							(17)	(17)		
currency translation							(17)	(17)		
ification for realized							(12)	(12)		
in retirement obligation							55	55		
taxes							(304)	(304)		
omprehensive income								2,741	(41)	
d stock dividends					(69)			(69)		
n stock dividends					(482)			(482)		
e of preferred stock		676						676		
e of common and treasury	7			(109)		217		108		
e of treasury stock	(3)					(89)		(89)		
tions to noncontrolling s									(35)	
er changes in trolling interests									162	
ption and restricted stock				50				50		
e June 30, 2011	1,925	$ 2,606	$ 21	$ 8,235	$ 28,701	$ (6,134)	$ (977)	$ 32,452	$ 889	$ 3

See Notes to Consolidated Financial Statements.

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U.S. Bancorp
Consolidated Statement of Cash Flows

(Dollars in Millions) (Unaudited)	Six Months Ended June 30, 2011	2010
Operating Activities		
Net cash provided by operating activities	$8,809	$3,960
Investing Activities		
Proceeds from sales of available-for-sale investment securities	437	1,060
Proceeds from maturities of held-to-maturity investment securities	381	100
Proceeds from maturities of available-for-sale investment securities	5,312	6,614
Purchases of held-to-maturity investment securities	(11,872)	(64)
Purchases of available-for-sale investment securities	(5,750)	(9,904)
Net (increase) decrease in loans outstanding	(3,026)	507
Proceeds from sales of loans	375	1,030
Purchases of loans	(1,193)	(1,807)
Acquisitions, net of cash acquired	650	832
Other, net	(620)	(779)
Net cash used in investing activities	(15,306)	(2,411)
Financing Activities		
Net increase (decrease) in deposits	8,844	(602)
Net increase (decrease) in short-term borrowings	(3,019)	1,832
Proceeds from issuance of long-term debt	1,534	2,923
Principal payments or redemption of long-term debt	(484)	(6,684)
Fees paid on exchange of income trust securities for perpetual preferred stock		(4)
Proceeds from issuance of preferred stock	676	
Proceeds from issuance of common stock	104	43
Cash dividends paid on preferred stock	(58)	(38)
Cash dividends paid on common stock	(337)	(192)
Net cash provided by (used in) financing activities	7,260	(2,722)
Change in cash and due from banks	763	(1,173)
Cash and due from banks at beginning of period	14,487	6,206
Cash and due from banks at end of period	$15,250	$5,033

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 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

In January 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.

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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:

	June 30, 2011					December 31, 2010				
			Unrealized Losses					Unrealized Losses		
llars in Millions)	Amortized Cost	Unrealized Gains	Other-than-Temporary	Other	Fair Value	Amortized Cost	Unrealized Gains	Other-than-Temporary	Other	F Val
d-to-maturity (a)										
. Treasury and agencies	$ 2,363	$ 21	$	$	$ 2,384	$ 165	$	$	$ (1)	$ 1
rtgage-backed securities										
idential										
ncy	10,635	162		(4)	10,793	847			(4)	8
-agency										
-prime	2				2	3				
nmercial										
-agency	5			(3)	2	10			(5)	
et-backed securities										
ateralized debt gations/Collaterized obligations	94	15		(9)	100	157	13		(18)	1
er	25	1		(7)	19	127		(1)	(7)	1
igations of state and tical subdivisions	24	1		(1)	24	27	1		(1)	
igations of foreign ernments	7				7	7				
er debt securities	125			(25)	100	126			(27)	
l held-to-maturity	$ 13,280	$ 200	$	$ (49)	$ 13,431	$ 1,469	$ 14	$ (1)	$ (63)	$ 1,4
ilable-for-sale (b)										
. Treasury and agencies	$ 1,870	$ 7	$	$ (4)	$ 1,873	$ 2,559	$ 6	$	$ (28)	$ 2,5
rtgage-backed securities										
idential										
ncy	38,217	901		(46)	39,072	37,144	718		(159)	37,7
-agency										
ne (c)	985	8	(51)	(46)	896	1,216	12	(86)	(39)	1,1
-prime	1,108	21	(198)	(36)	895	1,193	15	(243)	(18)	9
nmercial										
ncy	154	4			158	194	5		(2)	1
-agency	48	3		(1)	50	47	3			
et-backed securities										
	194	37	(2)	(2)	227	204	23	(2)	(1)	2

ateralized debt gations/Collaterized obligations										
er	699	25	(3)	(9)	712	709	23	(3)	(9)	7
gations of state and tical subdivisions	6,809	38		(165)	6,682	6,835	3		(421)	6,4
gations of foreign ernments	6				6	6				
porate debt securities	1,109	1		(88)	1,022	1,109			(151)	9
petual preferred rities	455	56		(36)	475	456	41		(49)	4
er investments	216	15			231	183	17		(1)	1
l available-for-sale	$ 51,870	$ 1,116	$ (254)	$ (433)	$ 52,299	$ 51,855	$ 866	$ (334)	$ (878)	$ 51,5

(a) *Held-to-maturity securities are carried at historical cost adjusted for amortization of premiums and accretion of discounts and credit-related other-than-temporary impairment.*

(b) *Available-for-sale securities are carried at fair value with unrealized net gains or losses reported within accumulated other comprehensive income (loss) in shareholders equity.*

(c) *Prime securities are those designated as such by the issuer or those with underlying asset characteristics and/or credit enhancements consistent with securities designated as prime.*

The weighted-average maturity of the available-for-sale investment securities was 7.4 years at both June 30, 2011, and December 31, 2010. The corresponding weighted-average yields were 3.33 percent and 3.41 percent, respectively. The weighted-average maturity of the held-to-maturity investment securities was 5.2 years at June 30, 2011, and 6.3 years at December 31, 2010. The corresponding weighted-average yields were 2.26 percent and 2.07 percent, respectively. For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale securities outstanding at June 30, 2011, refer to Table 4 included in Management s Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

Securities carried at $22.7 billion at June 30, 2011, and $28.0 billion at December 31, 2010, were pledged to secure public, private and trust deposits, repurchase agreements and for other purposes required by law. Included in these amounts were securities sold under agreements to repurchase where the buyer/lender has the right to sell or pledge the securities and which were collateralized by securities with a carrying amount of $7.2 billion at June 30, 2011, and $9.3 billion at December 31, 2010.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Taxable	$ 382	$ 317	$ 733	$ 650
Non-taxable	77	77	154	154
Total interest income from investment securities	$ 459	$ 394	$ 887	$ 804

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Realized gains	$ 1	$	$ 2	$ 12
Realized losses				
Net realized gains (losses)	$ 1	$	$ 2	$ 12
Income tax (benefit) on realized gains (losses)	$ 1	$	$ 1	$ 4

In 2007, the Company purchased certain structured investment securities (SIVs) from certain money market funds managed by an affiliate of the Company. Subsequent to the initial purchase, the Company exchanged its interest in the SIVs for a pro-rata portion of the underlying investment securities according to the applicable restructuring agreements. The SIVs and the investment securities received are collectively referred to as SIV-related securities.

Some of the SIV-related securities evidenced credit deterioration at the time of acquisition by the Company. Investment securities with evidence of credit deterioration at acquisition had an unpaid principal balance and fair value of $443 million and $168 million, respectively, at June 30, 2011, and $485 million and $173 million, respectively, at December 31, 2010. Changes in the accretable balance for these securities were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Balance at beginning of period	$ 126	$ 319	$ 139	$ 292
Accretion	(4)	(8)	(9)	(15)
Other (a)	(5)	(9)	(13)	25

Balance at end of period	$ 117	$ 302	$ 117	$ 302

(a) Primarily represents changes in projected future cash flows on certain investment securities.

The Company conducts a regular assessment of its investment securities with unrealized losses to determine whether securities are other-than-temporarily impaired considering, among other factors, the nature of the securities, credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows of underlying collateral, market conditions and whether the Company intends to sell or it is more likely than not the Company will be required to sell the securities.

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The following tables summarize other-than-temporary impairment by investment category:

Three Months Ended June 30 (Dollars in Millions)	2011 Losses Recorded in Earnings	2011 Other Gains (Losses)	2011 Total	2010 Losses Recorded in Earnings	2010 Other Gains (Losses)	2010 Total
Held-to-maturity						
Asset-backed securities						
Other	$	$	$	$	$	$
Total held-to-maturity	$	$	$	$	$	$
Available-for-sale						
Mortgage-backed securities						
Non-agency residential						
Prime (a)	$ (1)	$ (4)	$ (5)	$ (1)	$ (1)	$ (2)
Non-prime	(7)	(6)	(13)	(11)	(11)	(22)
Asset-backed securities						
Collateralized debt obligations/Collaterized loan obligations				(4)		(4)
Other	(1)		(1)	(5)	3	(2)
Other debt securities						
Total available-for-sale	$ (9)	$ (10)	$ (19)	$ (21)	$ (9)	$ (30)

(a) *Prime securities are those designated as such by the issuer or those with underlying asset characteristics and/or credit enhancements consistent with securities designated as prime.*

Six Months Ended June 30 (Dollars in Millions)	2011 Losses Recorded in Earnings	2011 Other Gains (Losses)	2011 Total	2010 Losses Recorded in Earnings	2010 Other Gains (Losses)	2010 Total
Held-to-maturity						
Asset-backed securities						
Other	$	$	$	$ (2)	$	$ (2)
Total held-to-maturity	$	$	$	$ (2)	$	$ (2)
Available-for-sale						
Mortgage-backed securities						
Non-agency residential						
Prime (a)	$ (2)	$ (3)	$ (5)	$ (3)	$ (10)	$ (13)
Non-prime	(12)	(12)	(24)	(46)	(43)	(89)
Asset-backed securities						

Collateralized debt obligations/Collaterized loan obligations				(5)		(5)
Other	(1)		(1)	(10)	2	(8)
Other debt securities				(1)	1	
Total available-for-sale	$ (15)	$ (15)	$ (30)	$ (65)	$ (50)	$ (115)

(a) Prime securities are those designated as such by the issuer or those with underlying asset characteristics and/or credit enhancements consistent with securities designated as prime.

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The Company determined the other-than-temporary impairment recorded in earnings for securities by estimating the future cash flows of each individual security, using market information where available, and discounting the cash flows at the original effective rate of the security. Other-than-temporary impairment recorded in other comprehensive income (loss) was measured as the difference between that discounted amount and the fair value of each security. The following table includes the ranges for principal assumptions used for those available-for-sale non-agency mortgage-backed securities determined to be other-than-temporarily impaired:

	Prime			Non-Prime		
	Minimum	Maximum	Average	Minimum	Maximum	Average
June 30, 2011						
Estimated lifetime prepayment rates	10%	15%	13%	1%	11%	7%
Lifetime probability of default rates		3	2	1	20	8
Lifetime loss severity rates	30	50	36	10	70	51
December 31, 2010						
Estimated lifetime prepayment rates	4%	14%	13%	1%	12%	6%
Lifetime probability of default rates	3	9	3	1	20	8
Lifetime loss severity rates	40	55	41	37	71	55

Changes in the credit losses on non-agency mortgage-backed securities, including SIV-related securities, and other debt securities are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Balance at beginning of period	$ 339	$ 391	$ 358	$ 335
Credit losses on securities not previously considered other-than-temporarily impaired	1	2	2	15
Decreases in expected cash flows on securities for which other-than-temporary impairment was previously recognized	8	19	13	52
Increases in expected cash flows	(10)	(12)	(17)	(13)
Realized losses	(19)	(18)	(36)	(25)
Credit losses on security sales and securities expected to be sold			(1)	
Other				18
Balance at end of period	$ 319	$ 382	$ 319	$ 382

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At June 30, 2011, certain investment securities had a fair value below amortized cost. The following table shows the gross unrealized losses and fair value of the Company s investments with unrealized losses, aggregated by investment category and length of time the individual securities have been in continuous unrealized loss positions, at June 30, 2011:

	Less Than 12 Months		12 Months or Greater		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Held-to-maturity						
U.S. Treasury and agencies	$ 104	$	$	$	$ 104	$
Mortgage-backed securities						
Residential						
Agency	1,427	(4)			1,427	(4)
Non-agency						
Non-prime			2		2	
Commercial						
Non-agency			3	(3)	3	(3)
Asset-backed securities						
Collateralized debt obligations/Collaterized loan obligations	1	(1)	41	(8)	42	(9)
Other			15	(7)	15	(7)
Obligations of state and political subdivisions			9	(1)	9	(1)
Other debt securities			99	(25)	99	(25)
Total held-to-maturity	$ 1,532	$ (5)	$ 169	$ (44)	$ 1,701	$ (49)
Available-for-sale						
U.S. Treasury and agencies	$ 685	$ (4)	$	$	$ 685	$ (4)
Mortgage-backed securities						
Residential						
Agency	7,170	(46)	54		7,224	(46)
Non-agency						
Prime (a)	97	(4)	726	(93)	823	(97)
Non-prime	56	(6)	722	(228)	778	(234)
Commercial						
Agency	14				14	
Non-agency	4		1	(1)	5	(1)
Asset-backed securities						
Collateralized debt obligations/Collaterized loan obligations	11	(3)	7	(1)	18	(4)
Other	61	(1)	76	(11)	137	(12)
Obligations of state and political subdivisions	3,177	(66)	1,214	(99)	4,391	(165)

Corporate debt securities	205	(2)	691	(86)	896	(88)
Perpetual preferred securities	73	(1)	262	(35)	335	(36)
Other investments	1		3		4	
Total available-for-sale	$ 11,554	$ (133)	$ 3,756	$ (554)	$ 15,310	$ (687)

(a) *Prime securities are those designated as such by the issuer or those with underlying asset characteristics and/or credit enhancements consistent with securities designated as prime.*

The Company does not consider these unrealized losses to be credit-related. These unrealized losses primarily relate to changes in interest rates and market spreads subsequent to purchase. A substantial portion of securities that have unrealized losses are either corporate debt, obligations of state and political subdivisions or mortgage-backed securities issued with high investment grade credit ratings. In general, the issuers of the investment securities are contractually prohibited from prepayment at less than par, and the Company did not pay significant purchase premiums for these securities. At June 30, 2011, the Company had no plans to sell securities with unrealized losses, and believes it is more likely than not it would not be required to sell such securities before recovery of their amortized cost.

Note 5 Loans and Allowance for Credit Losses

The composition of the loan portfolio was as follows:

(Dollars in Millions)	June 30, 2011 Amount	June 30, 2011 Percent of Total	December 31, 2010 Amount	December 31, 2010 Percent of Total
Commercial				
Commercial	$ 44,658	22.4 %	$ 42,272	21.5 %
Lease financing	5,892	2.9	6,126	3.1
Total commercial	50,550	25.3	48,398	24.6
Commercial real estate				
Commercial mortgages	28,643	14.3	27,254	13.8
Construction and development	6,847	3.4	7,441	3.8
Total commercial real estate	35,490	17.7	34,695	17.6
Residential mortgages				
Residential mortgages	26,261	13.2	24,315	12.3
Home equity loans, first liens	6,849	3.4	6,417	3.3
Total residential mortgages	33,110	16.6	30,732	15.6
Retail				
Credit card	16,111	8.1	16,803	8.5
Retail leasing	4,973	2.5	4,569	2.3
Home equity and second mortgages	18,597	9.3	18,940	9.6
Other retail				
Revolving credit	3,324	1.6	3,472	1.8
Installment	5,350	2.7	5,459	2.8
Automobile	11,143	5.6	10,897	5.5
Student	4,833	2.4	5,054	2.5
Total other retail	24,650	12.3	24,882	12.6
Total retail	64,331	32.2	65,194	33.0
Total loans, excluding covered loans	183,481	91.8	179,019	90.8
Covered loans	16,401	8.2	18,042	9.2
Total loans	$ 199,882	100.0 %	$ 197,061	100.0 %

The Company had loans of $60.4 billion at June 30, 2011, and $62.8 billion at December 31, 2010, pledged at the Federal Home Loan Bank (FHLB), and loans of $44.6 billion at both June 30, 2011, and December 31, 2010, pledged at the Federal Reserve Bank.

Originated loans are presented net of unearned interest and deferred fees and costs, which amounted to $1.2 billion at June 30, 2011, and $1.3 billion at December 31, 2010. In accordance with applicable authoritative accounting

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

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Covered assets represent loans and other assets acquired from the FDIC subject to loss sharing agreements in the Downey Savings and Loan Association, F.A.; PFF Bank and Trust; and First Bank of Oak Park Corporation transactions and included expected reimbursements from the FDIC of approximately $2.8 billion at June 30, 2011 and $3.1 billion at December 31, 2010. The carrying amount of the covered assets consisted of purchased impaired loans, purchased nonimpaired loans, and other assets as shown in the following table:

	June 30, 2011				December 31, 2010			
(Dollars in Millions)	Purchased impaired loans	Purchased nonimpaired loans	Other assets	Total	Purchased impaired loans	Purchased nonimpaired loans	Other assets	Total
Commercial loans	$ 70	$ 195	$	$ 265	$ 70	$ 260	$	$ 330
Commercial real estate loans	2,185	4,966		7,151	2,254	5,952		8,206
Residential mortgage loans	3,821	1,475		5,296	3,819	1,620		5,439
Retail loans		899		899		930		930
Losses reimbursable by the FDIC			2,790	2,790			3,137	3,137
Covered loans	6,076	7,535	2,790	16,401	6,143	8,762	3,137	18,042
Foreclosed real estate			348	348			453	453
Total covered assets	$ 6,076	$ 7,535	$ 3,138	$ 16,749	$ 6,143	$ 8,762	$ 3,590	$ 18,495

At June 30, 2011, $.3 billion of the purchased impaired loans included in covered loans were classified as nonperforming assets, compared with $.5 billion at December 31, 2010, because the expected cash flows are primarily based on the liquidation of underlying collateral and the timing and amount of the cash flows could not be reasonably estimated. Interest income is recognized on other purchased impaired loans through accretion of the difference between the carrying amount of those loans and their expected cash flows. The initial determination of the fair value of the purchased loans includes the impact of expected credit losses and, therefore, no allowance for credit losses is recorded at the purchase date. To the extent credit deterioration occurs after the date of acquisition, the Company records an allowance for credit losses.

On the acquisition date, the preliminary estimate of the contractually required payments receivable for all purchased impaired loans acquired in the FCB transaction were $502 million, the cash flows expected to be collected were $338 million including interest, and the estimated fair values of the loans were $238 million. These amounts were determined based upon the estimated remaining life of the underlying loans, which includes the effects of estimated prepayments. For the purchased nonimpaired loans acquired in the FCB transaction, the preliminary estimate as of the acquisition date of the contractually required payments receivable were $1.2 billion, the contractual cash flows not expected to be collected were $184 million, and the estimated fair value of the loans was $828 million.

Changes in the accretable balance for all purchased impaired loans, including those acquired in the FCB transaction, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Balance at beginning of period	$ 2,801	$ 2,825	$ 2,890	$ 2,845

Purchases			100	
Accretion	(115)	(104)	(227)	(205)
Disposals	(2)	(11)	(4)	(18)
Reclassifications (to)/from nonaccretable difference (a)	335	68	287	160
Other	(4)	(29)	(31)	(33)
Balance at end of period	$ 3,015	$ 2,749	$ 3,015	$ 2,749

(a) Primarily relates to improvements in expected credit performance and changes in variable rates.

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 are taken into consideration in evaluating the allowance for credit losses, 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 loan balances classified as TDRs. Management also considers 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, are evaluated. Finally, the Company considers current economic conditions that might impact the portfolio. This evaluation is inherently subjective as it requires estimates, including amounts of future cash collections expected on nonaccrual loans, which may be susceptible to significant change. The allowance for credit losses relating to originated loans that have become impaired is based on expected cash flows discounted using the original effective interest rate, the observable market price, or the fair value of the collateral for certain collateral-dependent loans. To the extent credit deterioration occurs on purchased loans after the date of acquisition, the Company records an allowance for credit losses.

The Company determines the amount of the allowance required for certain sectors based on relative risk characteristics of the loan portfolio. The allowance recorded for commercial loans is generally based on quarterly reviews of individual credit relationships and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for homogeneous commercial and consumer loans is based on an analysis of product mix, risk characteristics of the portfolio, bankruptcy experiences, and historical losses, adjusted for current trends, for each homogenous category or group of loans. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

The Company also assesses the credit risk associated with off-balance sheet loan commitments, letters of credit, and derivatives. Credit risk associated with derivatives is reflected in the fair values recorded for those positions. The liability for off-balance sheet credit exposure related to loan commitments and other credit guarantees is included in other liabilities. Because business processes and credit risks associated with unfunded credit commitments are essentially the same as for loans, the Company utilizes similar processes to estimate its liability for unfunded credit commitments.

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

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans
Three months ended June 30, 2011:								
Balance at beginning of period	$ 1,139	$ 1,275	$ 819	$ 1,276	$ 854	$ 5,363	$ 135	$ 5,498
Add								
Provision for credit losses	66	147	141	80	136	570	2	572
Deduct								
Loans charged off	125	175	123	241	181	845	5	850
Less recoveries of loans charged off	(29)	(11)	(4)	(25)	(34)	(103)		(103)
Net loans charged off	96	164	119	216	147	742	5	747
Net change for credit losses to be reimbursed by the FDIC							(15)	(15)
Balance at end of period	$ 1,109	$ 1,258	$ 841	$ 1,140	$ 843	$ 5,191	$ 117	$ 5,308
Six months ended June 30, 2011:								

Balance at beginning of period	$ 1,104	$ 1,291	$ 820	$ 1,395	$ 807	$ 5,417	$ 114	$ 5,531
Add								
Provision for credit losses	240	256	269	208	346	1,319	8	1,327
Deduct								
Loans charged off	286	315	256	509	376	1,742	7	1,749
Less recoveries of loans charged off	(51)	(26)	(8)	(46)	(66)	(197)		(197)
Net loans charged off	235	289	248	463	310	1,545	7	1,552
Net change for credit losses to be reimbursed by the FDIC							2	2
Balance at end of period	$ 1,109	$ 1,258	$ 841	$ 1,140	$ 843	$ 5,191	$ 117	$ 5,308

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

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans
Allowance balance at June 30, 2011 related to:								
Loans individually evaluated for impairment (a)	$ 13	$ 68	$	$	$	$ 81	$	$ 81
TDRs collectively evaluated for impairment	30		341	218	49	638		638
Other loans collectively evaluated for impairment	1,066	1,188	500	922	794	4,470	24	4,494
Loans acquired with deteriorated credit quality		2				2	93	95
Total allowance for credit losses	$ 1,109	$ 1,258	$ 841	$ 1,140	$ 843	$ 5,191	$ 117	$ 5,308
Allowance balance at December 31, 2010 related to:								
Loans individually evaluated for impairment (a)	$ 38	$ 55	$	$	$	$ 93	$	$ 93
TDRs collectively evaluated for impairment			320	223	30	573		573
Other loans collectively evaluated for impairment	1,066	1,235	500	1,172	777	4,750	28	4,778
Loans acquired with deteriorated credit quality		1				1	86	87
Total allowance for credit losses	$ 1,104	$ 1,291	$ 820	$ 1,395	$ 807	$ 5,417	$ 114	$ 5,531

(a) *Represents the allowance for credit losses related to commercial and commercial real estate loans that are greater than $5 million and are classified as nonperforming or TDRs.*

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

(Dollars in Millions)	Commercial	Commercial Real Estate	Residential Mortgages	Credit Card	Other Retail	Total Loans, Excluding Covered Loans	Covered Loans	Total Loans

June 30, 2011:								
Loans individually evaluated for impairment (a)	$ 140	$ 931	$	$	$	$ 1,071	$	$ 1,071
TDRs collectively evaluated for impairment	61		2,100	468	122	2,751		2,751
Other loans collectively evaluated for impairment	50,334	34,325	30,998	15,643	48,098	179,398	10,325	189,723
Loans acquired with deteriorated credit quality	15	234	12			261	6,076	6,337
Total loans	$ 50,550	$ 35,490	$ 33,110	$ 16,111	$ 48,220	$ 183,481	$ 16,401(b)	$ 199,882
December 31, 2010:								
Loans individually evaluated for impairment (a)	$ 295	$ 801	$	$	$	$ 1,096	$	$ 1,096
TDRs collectively evaluated for impairment			1,957	452	114	2,523		2,523
Other loans collectively evaluated for impairment	48,103	33,834	28,775	16,351	48,277	175,340	11,899	187,239
Loans acquired with deteriorated credit quality		60				60	6,143	6,203
Total loans	$ 48,398	$ 34,695	$ 30,732	$ 16,803	$ 48,391	$ 179,019	$ 18,042(b)	$ 197,061

(a) Represents commercial and commercial real estate loans that are greater than $5 million and are classified as nonperforming or TDRs.

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

Credit Quality The quality of the Company s loan portfolios is assessed as a function of net credit losses, levels of nonperforming assets and delinquencies, and credit quality ratings as defined by the Company. These credit quality ratings are an important part of the Company s overall credit risk management process and evaluation of its allowance for credit losses.

Generally, commercial loans (including impaired loans) are placed on nonaccrual status when the collection of interest or principal has become 90 days past due or is otherwise considered doubtful. When a loan is placed on nonaccrual status, unpaid accrued interest is reversed. Future interest payments are generally applied against principal. Commercial loans are generally fully or partially charged down to the fair value of collateral securing the loan, less costs to sell, when the loan is deemed to be uncollectible, repayment is deemed beyond reasonable time frames, the borrower has filed for bankruptcy, or the loan is unsecured and greater than six months past due. Loans secured by 1-4 family properties are generally charged down to fair value, less costs to sell, at 180 days past due, and placed on nonaccrual status in instances where a partial charge-off occurs. Revolving consumer lines and credit cards are charged off at 180 days past due and closed-end consumer loans, other than loans secured by 1-4 family properties, are charged off at 120 days past due and are, therefore, generally not placed on nonaccrual status. Certain retail customers having financial difficulties may have the terms of their credit card and other loan agreements modified to require only principal payments and, as such, are reported as nonaccrual.

Generally, purchased impaired loans are considered accruing loans. However, the timing and amount of future cash flows for some loans is not reasonably estimable. Those loans are classified as nonaccrual loans and interest income is not recognized until the timing and amount of the future cash flows can be reasonably estimated.

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

(Dollars in Millions)	Current	Accruing 30-89 Days Past Due	90 Days or More Past Due	Nonperforming	Total
June 30, 2011:					
Commercial	$ 49,851	$ 264	$ 43	$ 392	$ 50,550
Commercial real estate	33,965	159	2	1,364	35,490
Residential mortgages	31,696	368	375	671	33,110
Credit card	15,426	216	213	256	16,111
Other retail	47,667	309	171	73	48,220
Total loans, excluding covered loans	178,605	1,316	804	2,756	183,481
Covered loans	13,842	590	928	1,041	16,401
Total loans	$ 192,447	$ 1,906	$ 1,732	$ 3,797	$ 199,882
December 31, 2010:					
Commercial	$ 47,412	$ 325	$ 64	$ 597	$ 48,398
Commercial real estate	32,986	415	1	1,293	34,695
Residential mortgages	29,140	456	500	636	30,732
Credit card	15,993	269	313	228	16,803
Other retail	47,706	404	216	65	48,391

Total loans, excluding covered loans	173,237	1,869	1,094	2,819	179,019
Covered loans	14,951	757	1,090	1,244	18,042
Total loans	$ 188,188	$ 2,626	$ 2,184	$ 4,063	$ 197,061

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

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

		Criticized			
(Dollars in Millions)	Pass	Special Mention	Classified (a)	Total Criticized	Total
June 30, 2011:					
Commercial	$ 47,140	$ 1,312	$ 2,098	$ 3,410	$ 50,550
Commercial real estate	29,602	1,267	4,621	5,888	35,490
Residential mortgages	31,820	28	1,262	1,290	33,110
Credit card	15,642		469	469	16,111
Other retail	47,777	47	396	443	48,220
Total loans, excluding covered loans	171,981	2,654	8,846	11,500	183,481
Covered loans	15,388	204	809	1,013	16,401
Total loans	$ 187,369	$ 2,858	$ 9,655	$ 12,513	$ 199,882
Total outstanding commitments	$ 382,717	$ 4,409	$ 10,720	$ 15,129	$ 397,846
December 31, 2010:					
Commercial	$ 44,595	$ 1,545	$ 2,258	$ 3,803	$ 48,398
Commercial real estate	28,155	1,540	5,000	6,540	34,695
Residential mortgages	29,355	29	1,348	1,377	30,732
Credit card	16,262		541	541	16,803
Other retail	47,906	70	415	485	48,391
Total loans, excluding covered loans	166,273	3,184	9,562	12,746	179,019
Covered loans	17,073	283	686	969	18,042
Total loans	$ 183,346	$ 3,467	$ 10,248	$ 13,715	$ 197,061
Total outstanding commitments	$ 370,031	$ 4,923	$ 11,576	$ 16,499	$ 386,530

(a) Classified rating on consumer loans based on delinguency status.

A loan is considered to be impaired when, based on current events or information, it is probable the Company will be unable to collect all amounts due per the contractual terms of the loan agreement. Impaired loans include certain nonaccrual commercial loans, loans for which a charge-off has been recorded based upon the fair value of the underlying collateral and loans modified as TDRs. Interest income is recognized on impaired loans under the modified terms and conditions if the borrower has demonstrated repayment performance at a level commensurate with the modified terms over several payment cycles. Purchased impaired loans are not reported as impaired loans if the timing and amount of the cash flows expected to be collected are reasonably estimable and the loans continue to perform at least as well as expected at acquisition. Nonaccrual commercial leases of $43 million and $78 million at June 30, 2011 and December 31, 2010, respectively, were excluded from impaired loans as commercial leases are accounted for under authoritative accounting guidance for leases, and are excluded from the definition of an impaired loan under loan impairment guidance.

A summary of impaired loans, excluding covered loans, was as follows:

(Dollars in Millions)	Period-end Recorded Investment	Unpaid Principal Balance	Valuation Allowance	Commitments to Lend Additional Funds
June 30, 2011:				
Commercial	$ 414	$ 1,488	$ 68	$ 12
Commercial real estate	1,589	3,227	122	26
Residential mortgages	2,610	3,065	351	6
Credit card	468	468	218	
Other retail	164	202	50	
Total	$ 5,245	$ 8,450	$ 809	$ 44
December 31, 2010:				
Commercial	$ 596	$ 1,631	$ 59	$ 80
Commercial real estate	1,308	2,659	118	17
Residential mortgages	2,440	2,877	334	
Credit card	452	452	218	
Other retail	152	189	32	
Total	$ 4,948	$ 7,808	$ 761	$ 97

Additional information on impaired loans follows:

	Three Months Ended June 30, 2011		Six Months Ended June 30, 2011	
(Dollars in Millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial	$ 503	$ 2	$ 525	$ 3
Commercial real estate	1,517	2	1,499	4
Residential mortgages	2,541	25	2,524	50
Credit card	462	3	461	6
Other retail	159	1	158	2
Total	$ 5,182	$ 33	$ 5,167	$ 65

Net gains on the sale of loans of $51 million and $92 million for the three months ended June 30, 2011 and 2010, respectively, and $266 million and $203 million for the six months ended June 30, 2011 and 2010, respectively, were included in noninterest income, primarily in mortgage banking revenue.

Note 6 Accounting For Transfers and Servicing of Financial Assets and Variable Interest Entities

The Company sells financial assets in the normal course of business. The majority of the Company s financial asset sales are residential mortgage loan sales primarily to government-sponsored enterprises through established programs, the sale or syndication of tax-advantaged investments, commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with the accounting guidance for asset transfers, the Company considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. For loans sold under participation agreements, the Company also considers the terms of the loan participation agreement and whether they meet the definition of a participating interest and thus qualify for derecognition. With the exception of servicing and certain performance-based guarantees, the Company s continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses. The guarantees provided to certain third-parties in connection with the sale or syndication of certain assets, primarily loan portfolios and tax-advantaged investments, are further discussed in Note 14. When the Company sells financial assets, it may retain servicing rights and/or other interests in the transferred financial assets. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets and the consideration received and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets and other interests that continue to be held by the Company are initially recognized at fair value. For further information on mortgage servicing rights (MSRs), refer to Note 7. The Company has no asset securitizations or similar asset-backed financing arrangements that are off-balance sheet.

The Company is involved in various entities that are considered to be variable interest entities (VIEs). The Company s investments in VIEs primarily represent private investment funds or partnerships that make equity investments, provide debt financing or support community-based investments in affordable housing development entities that provide capital for communities located in low-income districts and for historic rehabilitation projects that may enable the Company to ensure regulatory compliance with the Community Reinvestment Act. In addition, the Company sponsors entities to which it transfers tax-advantaged investments. The Company s investments in these entities are designed to generate a return primarily through the realization of federal and state income tax credits over specified time periods. The Company realized federal and state income tax credits related to these investments of $166 million and $163 million for the three months ended June 30, 2011 and 2010, respectively, and $319 million and $311 million for the six months ended June 30, 2011 and 2010, respectively. The Company amortizes its investments in these entities as the tax credits are realized. Tax credit amortization expense is recorded in tax expense for investments meeting certain characteristics, and in other noninterest expense for other investments. Amortization expense recorded in tax expense was $57 million and $43 million, and in other noninterest expense was $129 million and $138 million for the three months ended June 30, 2011 and 2010, respectively. Amortization expense recorded in tax expense was $115 million and $87 million, and in other noninterest expense was $242 million and $255 million for the six months ended June 30, 2011 and 2010, respectively.

At June 30, 2011, approximately $4.5 billion of the Company s assets and $3.2 billion of its liabilities included on the consolidated balance sheet were related to community development and tax-advantaged investment VIEs, compared with $3.8 billion and $2.6 billion, respectively, at December 31, 2010. The majority of the assets of these consolidated VIEs are reported in other assets, and the liabilities are reported in long-term debt. The assets of a particular VIE are the primary source of funds to settle its obligations. The creditors of the VIEs do not have recourse to the general credit of the Company. The Company s exposure to the consolidated VIEs is generally limited to the carrying value of its variable interests plus any related tax credits previously recognized.

In addition, the Company sponsors a conduit to which it previously transferred high-grade investment securities. The Company consolidates the conduit because of its ability to manage the activities of the conduit. At June 30, 2011, $251 million of the held-to-maturity investment securities on the Company s consolidated balance sheet related to the conduit, compared with $400 million at December 31, 2010.

The Company also sponsors a municipal bond securities tender option bond program. The Company controls the activities of the program s entities, is entitled to the residual returns and provides credit, liquidity and remarketing arrangements to the program. As a result, the Company has consolidated the program s entities. At June 30, 2011, $5.5 billion of available-for-sale securities and $5.7 billion of short-term borrowings on the consolidated balance sheet were related to the tender option bond program, compared with $5.3 billion of available-for-sale securities and $5.7 billion of short-term borrowings at December 31, 2010.

The Company is not required to consolidate other VIEs in which it has concluded it does not have a controlling financial interest, and thus is not the primary beneficiary. In such cases, the Company does not have both the power to direct the entities most significant activities and the obligation to absorb losses or right to receive benefits that could potentially be significant to the VIEs. The Company s investments in unconsolidated VIEs ranged from less than $1 million to $38 million, with an aggregate amount of approximately $1.9 billion at June 30, 2011, and from less than $1 million to $41 million, with an aggregate amount of approximately $2.0 billion at December 31, 2010. The Company s investments in these unconsolidated VIEs generally are carried in other assets on the balance sheet. While the Company believes potential losses from these investments are remote, the Company s maximum exposure to these unconsolidated VIEs, including any tax implications, was approximately $4.6 billion at June 30, 2011, compared with $5.0 billion at December 31, 2010. This maximum exposure is determined by assuming a scenario where the separate investments within the individual private funds were to become worthless, and the community-based business and housing projects and related tax credits completely failed and did not meet certain government compliance requirements.

Note 7 Mortgage Servicing Rights

The Company serviced $184.9 billion of residential mortgage loans for others at June 30, 2011, and $173.9 billion at December 31, 2010. The net impact included in mortgage banking revenue of assumption changes on the fair value of MSRs and fair value changes of derivatives used to economically hedge MSR value changes was a net gain of $82 million and $55 million for the three months ended June 30, 2011, and 2010, respectively, and a net gain of

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$144 million and $97 million for the six months ended June 30, 2011 and 2010, respectively. Loan servicing fees, not including valuation changes, included in mortgage banking revenue, were $160 million and $143 million for the three months ended June 30, 2011, and 2010, respectively, and $317 million and $285 million for the six months ended June 30, 2011 and 2010, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Balance at beginning of period	$ 2,073	$ 1,778	$ 1,837	$ 1,749
Rights purchased	4	33	11	38
Rights capitalized	102	117	315	249
Changes in fair value of MSRs				
Due to change in valuation assumptions (a)	(112)	(314)	(10)	(350)
Other changes in fair value (b)	(78)	(71)	(164)	(143)
Balance at end of period	$ 1,989	$ 1,543	$ 1,989	$ 1,543

(a) *Principally reflects changes in discount rates and prepayment speed assumptions, primarily arising from interest rate changes.*

(b) *Primarily represents changes due to collection/realization of expected cash flows over time (decay).*

The estimated sensitivity to changes in interest rates of the fair value of the MSRs portfolio and the related derivative instruments at June 30, 2011 and December 31, 2010 follows:

	June 30, 2011				December 31, 2010			
(Dollars in Millions)	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps	Down 50 bps	Down 25 bps	Up 25 bps	Up 50 bps
Net fair value	$ 7	$ 3	$ 6	$ 4	$ 6	$ (5)	$ 5	$ 1

The fair value of MSRs and their sensitivity to changes in interest rates is influenced by the mix of the servicing portfolio and characteristics of each segment of the portfolio. The Company s servicing portfolio consists of the distinct portfolios of government-insured mortgages, conventional mortgages, and Mortgage Revenue Bond Programs (MRBP). The servicing portfolios are predominantly comprised of fixed-rate agency loans with limited adjustable-rate or jumbo mortgage loans. The MRBP division specializes in servicing loans made under state and local housing authority programs. These programs provide mortgages to low-income and moderate-income borrowers and are generally government-insured programs with a favorable rate subsidy, down payment and/or closing cost assistance.

A summary of the Company s MSRs and related characteristics by portfolio at June 30, 2011 and December 31, 2010 follows:

	June 30, 2011				December 31, 2010			
rs in Millions)	MRBP	Government	Conventional	Total	MRBP	Government	Conventional	Tot
ing portfolio	$ 12,927	$ 31,450	$ 140,481	$ 184,858	$ 12,646	$ 28,880	$ 132,393	$ 173,9
arket value	$ 168	$ 387	$ 1,434	$ 1,989	$ 166	$ 342	$ 1,329	$ 1,8
(bps) (a)	130	123	102	108	131	118	100	1

ted-average ng fees (bps)	40	36	29	31	40	38	30	[illegible]
le /servicing fees)	3.25	3.42	3.52	3.48	3.28	3.11	3.33	3.
ted-average te	5.63%	5.20%	5.08%	5.14%	5.75%	5.35%	5.27%	5.
n years)	4.2	2.3	2.6	2.7	4.1	2.2	2.7	2
ted prepayment								
ant prepayment	12.2%	15.3%	15.0%	14.9%	12.3%	17.2%	16.2%	16
ted life (in	6.7	5.6	5.5	5.6	6.7	5.1	5.3	5
unt rate	11.9%	11.3%	10.2%	10.5%	11.9%	11.4%	10.3%	10

(a) Value is calculated as fair market value divided by the servicing portfolio.

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Note 8 Preferred Stock

At June 30, 2011 and December 31, 2010, the Company had authority to issue 50 million shares of preferred stock. The number of shares issued and outstanding and the carrying amount of each outstanding series of the Company s preferred stock was as follows:

	June 30, 2011				December 31, 2010			
(Dollars in Millions)	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount	Shares Issued and Outstanding	Liquidation Preference	Discount	Carrying Amount
Series A	12,510	$ 1,251	$ 145	$ 1,106	5,746	$ 575	$ 145	$ 430
Series B	40,000	1,000		1,000	40,000	1,000		1,000
Series D	20,000	500		500	20,000	500		500
Total preferred stock (a)	72,510	$ 2,751	$ 145	$ 2,606	65,746	$ 2,075	$ 145	$ 1,930

(a) The par value of all shares issued and outstanding at June 30, 2011 and December 31, 2010, was $1.00 a share.

On April 15, 2011, the Company issued depositary shares representing an ownership interest in 6,764 shares of Series A Non-Cumulative Perpetual Preferred Stock with a liquidation preference of $100,000 per share (the Series A Preferred Stock). The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or other obligation of the Company. Dividends, if declared, will accrue and be payable quarterly, in arrears, at a rate per annum equal to the greater of three-month LIBOR plus 1.02 percent or 3.50 percent. The Series A Preferred Stock is redeemable at the Company s option, subject to prior approval by the Federal Reserve Board.

For further information on preferred stock, refer to Note 15 in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Note 9 Earnings Per Share

The components of earnings per share were:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars and Shares in Millions, Except Per Share Data)	2011	2010	2011	2010
Net income attributable to U.S. Bancorp	$ 1,203	$ 766	$ 2,249	$ 1,435
Preferred dividends	(30)	(18)	(69)	(37)
Equity portion of gain on ITS exchange transaction, net of tax (a)		118		118
Earnings allocated to participating stock awards	(6)	(4)	(10)	(6)
Net income applicable to U.S. Bancorp common shareholders	$ 1,167	$ 862	$ 2,170	$ 1,510
Average common shares outstanding	1,921	1,912	1,920	1,911

Net effect of the exercise and assumed purchase of stock awards and conversion of outstanding convertible notes	8	9	9	9
Average diluted common shares outstanding	1,929	1,921	1,929	1,920
Earnings per common share	$ .61	$ .45	$ 1.13	$ .79
Diluted earnings per common share	$ .60	$ .45	$ 1.12	$ .79

(a) On June 10, 2010, the Company exchanged depositary shares representing an ownership interest in 5,746 shares of Series A Preferred Stock for approximately 46 percent of the outstanding Income Trust Securities(ITS) issued by USB Capital IX to third-party investors, retired a pro-rata portion of the related junior subordinated debentures and cancelled a pro-rata portion of the related stock purchase contracts.

Options and warrants to purchase 55 million and 56 million common shares for the three months ended June 30, 2011 and 2010, respectively, and 55 million and 56 million common shares for the six months ended June 30, 2011 and 2010, respectively, were outstanding but not included in the computation of diluted earnings per share because they were antidilutive. Convertible senior debentures that could potentially be converted into shares of the Company s common stock pursuant to specified formulas, were not included in the computation of dilutive earnings per share because they were antidilutive.

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Note 10 Employee Benefits

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension Plans		Postretirement Welfare Plan		Pension Plans		Postretirement Welfare Plan	
(Dollars in Millions)	2011	2010	2011	2010	2011	2010	2011	2010
Service cost	$ 29	$ 23	$ 1	$ 2	$ 59	$ 46	$ 2	$ 4
Interest cost	42	39	2	3	84	78	4	5
Expected return on plan assets	(51)	(53)	(1)	(1)	(103)	(107)	(2)	(2)
Prior service (credit) cost and transition (asset) obligation amortization	(3)	(3)			(5)	(6)		
Actuarial (gain) loss amortization	32	16	(2)	(2)	63	32	(3)	(3)
Net periodic benefit cost	$ 49	$ 22	$	$ 2	$ 98	$ 43	$ 1	$ 4

Note 11 Income Taxes

The components of income tax expense were:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	2011	2010	2011	2010
Federal				
Current	$ 51	$ 301	$ 457	$ 455
Deferred	317	(123)	273	(143)
Federal income tax	368	178	730	312
State				
Current	62	32	72	61
Deferred	28	(11)	22	(13)
State income tax	90	21	94	48
Total income tax provision	$ 458	$ 199	$ 824	$ 360

A reconciliation of expected income tax expense at the federal statutory rate of 35 percent to the Company s applicable income tax expense follows:

(Dollars in Millions)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Tax at statutory rate	$ 573	$ 333	$ 1,061	$ 622
State income tax, at statutory rates, net of federal tax benefit	58	14	61	31
Tax effect of				
Tax credits, net of related expenses	(108)	(110)	(195)	(210)
Tax-exempt income	(57)	(53)	(113)	(105)
Noncontrolling interests	8	5	14	7
Other items	(16)	10	(4)	15
Applicable income taxes	$ 458	$ 199	$ 824	$ 360

The Company s income tax returns are subject to review and examination by federal, state, local and foreign government authorities. On an ongoing basis, numerous federal, state, local and foreign examinations are in progress and cover multiple tax years. As of June 30, 2011, the federal taxing authority has completed its examination of the Company through the fiscal year ended December 31, 2006. The years open to examination by foreign, state and local government authorities vary by jurisdiction.

The Company s net deferred tax position was a $711 million liability at June 30, 2011, and a $424 million asset at December 31, 2010.

Note 12 Derivative Instruments

The Company recognizes all derivatives in the consolidated balance sheet at fair value as other assets or liabilities. On the date the Company enters into a derivative contract, the derivative is designated as either a hedge of the fair value of a recognized asset or liability (fair value hedge); a hedge of a forecasted transaction or the variability of cash flows to be paid related to a recognized asset or liability (cash flow hedge); a hedge of the volatility of an investment in foreign operations driven by changes in foreign currency exchange rates (net investment hedge); or a designation is not made as it is a customer-related transaction, an economic hedge for asset/liability risk management purposes or another stand-alone derivative created through the Company s operations (free-standing derivative).
Of the Company s $36.0 billion of total notional amount of asset and liability management positions at June 30, 2011, $8.6 billion was designated as a fair value, cash flow or net investment hedge. When a derivative is designated as a fair value, cash flow or net investment hedge, the Company performs an assessment, at inception and, at a minimum, quarterly thereafter, to determine the effectiveness of the derivative in offsetting changes in the value or cash flows of the hedged item(s).

Fair Value Hedges These derivatives are primarily interest rate swaps that hedge the change in fair value related to interest rate changes of underlying fixed-rate debt and junior subordinated debentures. Changes in the fair value of derivatives designated as fair value hedges, and changes in the fair value of the hedged items, are recorded in earnings. All fair value hedges were highly effective for the six months ended June 30, 2011, and the change in fair value attributed to hedge ineffectiveness was not material.

Cash Flow Hedges These derivatives are interest rate swaps that are hedges of the forecasted cash flows from the underlying variable-rate debt. Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income (loss) until expense from the cash flows of the hedged items is realized. If a derivative designated as a cash flow hedge is terminated or ceases to be highly effective, the gain or loss in other comprehensive income (loss) is amortized to earnings over the period the forecasted hedged transactions impact earnings. If a hedged forecasted transaction is no longer probable, hedge accounting is ceased and any gain or loss included in other comprehensive income (loss) is reported in earnings immediately, unless the forecasted transaction is at least reasonably possible of occurring, whereby the amounts within other comprehensive income (loss) remain. At June 30, 2011, the Company had $424 million (net-of-tax) of realized and unrealized losses on derivatives classified as cash flow hedges recorded in other comprehensive income (loss), compared with $414 million (net-of-tax) at December 31, 2010. The estimated amount to be reclassified from other comprehensive income (loss) into earnings during the remainder of 2011 and the next 12 months is a loss of $69 million (net-of-tax) and $134 million (net-of-tax), respectively. This includes gains and losses related to hedges that were terminated early for which the forecasted transactions are still probable. All cash flow hedges were highly effective for the six months ended June 30, 2011, and the change in fair value attributed to hedge ineffectiveness was not material.

Net Investment Hedges The Company uses forward commitments to sell specified amounts of certain foreign currencies to hedge the volatility of its investment in foreign operations driven by fluctuations in foreign currency exchange rates. The ineffectiveness on all net investment hedges was not material for the six months ended June 30, 2011.

Other Derivative Positions The Company enters into free-standing derivatives to mitigate interest rate risk and for other risk management purposes. These derivatives include forward commitments to sell residential mortgage loans, which are used to economically hedge the interest rate risk related to residential mortgage loans held for sale. The Company also 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 economically hedge the change in the fair value of the

Company s residential MSRs. In addition, the Company acts as a seller and buyer of interest rate derivatives and foreign exchange contracts for its customers. To mitigate the market and liquidity risk associated with these customer derivatives, the Company enters into similar offsetting positions. The Company also has derivative contracts that are created through its operations, including commitments to originate mortgage loans held for sale and certain derivative financial guarantee contracts.

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

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The following table provides information on the fair value of the Company s derivative positions:

(Dollars in Millions)	June 30, 2011 Asset Derivatives	June 30, 2011 Liability Derivatives	December 31, 2010 Asset Derivatives	December 31, 2010 Liability Derivatives
Total fair value of derivative positions	$ 1,613	$ 2,130	$ 1,799	$ 2,174
Netting (a)	(366)	(1,181)	(280)	(1,163)
Total	$ 1,247	$ 949	$ 1,519	$ 1,011

Note: The fair value of asset and liability derivatives are included in Other assets and Other liabilities on the Consolidated Balance Sheet, respectively.

(a) Represents netting of derivative asset and liability balances, and related collateral, with the same counterparty subject to master netting agreements. Authoritative accounting guidance permits the netting of derivative receivables and payables when a legally enforceable master netting agreement exists between the Company and a derivative counterparty. A master netting agreement is an agreement between two counterparties who have multiple derivative contracts with each other that provide for the net settlement of contracts through a single payment, in a single currency, in the event of default on or termination of any one contract. At June 30, 2011, the amount of cash and money market investments collateral posted by counterparties that was netted against derivative assets was $81 million and the amount of cash collateral posted by the Company that was netted against derivative liabilities was $894 million. At December 31, 2010, the amount of cash and money market investments collateral posted by counterparties that was netted against derivative assets was $55 million and the amount of cash collateral posted by the Company that was netted against derivative liabilities was $936 million.

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

(Dollars in Millions)	Asset Derivatives Notional Value	Asset Derivatives Fair Value	Asset Derivatives Weighted-Average Remaining Maturity In Years	Liability Derivatives Notional Value	Liability Derivatives Fair Value	Liability Derivatives Weighted-Average Remaining Maturity In Years
June 30, 2011						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	$ 1,800	$ 46	41.88	$	$	
Foreign exchange cross-currency swaps	1,452	144	5.75			
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps				4,788	705	4.60
Net investment hedges						
Foreign exchange forward contracts				561		.08
Other economic hedges						
Interest rate contracts						
Futures and forwards						

Buy	2,573	13	.11	3,890	19	.07
Sell	3,438	16	.16	3,127	34	.08
Options						
Purchased	4,250		.06			
Written	3,723	18	.07	131		.10
Receive fixed/pay floating swaps	400	1	10.36	2,875	40	10.36
Foreign exchange forward contracts	150	1	.10	775	6	.09
Equity contracts	32	2	1.79	29	1	.08
Credit contracts	551	1	2.43	1,471	8	2.83
December 31, 2010						
Fair value hedges						
Interest rate contracts						
Receive fixed/pay floating swaps	1,800	72	55.75			
Foreign exchange cross-currency swaps	891	70	6.17	445		6.17
Cash flow hedges						
Interest rate contracts						
Pay fixed/receive floating swaps				4,788	688	5.03
Net investment hedges						
Foreign exchange forward contracts	512	3	.08			
Other economic hedges						
Interest rate contracts						
Futures and forwards						
Buy	2,879	20	.10	6,312	79	.05
Sell	9,082	207	.07	6,002	51	.09
Options						
Purchased	1,600		.06			
Written	6,321	23	.07	1,348	9	.07
Receive fixed/pay floating swaps	2,250	3	10.22			
Foreign exchange forward contracts	158	1	.09	694	6	.09
Equity contracts	61	3	1.60			
Credit contracts	650	2	3.22	1,183	7	2.71

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

	Asset Derivatives			Liability Derivatives		
(Dollars in Millions)	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years	Notional Value	Fair Value	Weighted-Average Remaining Maturity In Years
June 30, 2011						
Interest rate contracts						
Receive fixed/pay floating swaps	$ 15,280	$ 918	4.74	$ 780	$ 9	5.38
Pay fixed/receive floating swaps	750	10	6.85	15,370	884	4.71
Options						
Purchased	2,272	11	2.04	75	10	.34
Written	312	10	.32	2,076	11	2.21
Foreign exchange rate contracts						
Forwards, spots and swaps (a)	9,106	420	.64	9,047	401	.64
Options						
Purchased	105	2	.47			
Written				105	2	.47
December 31, 2010						
Interest rate contracts						
Receive fixed/pay floating swaps	15,730	956	4.64	1,294	21	6.01
Pay fixed/receive floating swaps	1,315	24	6.12	15,769	922	4.68
Options						
Purchased	2,024	13	1.98	115	12	.36
Written	472	12	.26	1,667	13	2.35
Foreign exchange rate contracts						
Forwards, spots and swaps (a)	7,772	384	.74	7,694	360	.75
Options						
Purchased	224	6	.40			
Written				224	6	.40

(a) Reflects the net of long and short positions.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	Gains (Losses) Recognized in Other Comprehensive Income (Loss)	Gains (Losses) Reclassified from Other Comprehensive Income (Loss) into Earnings	Gains (Losses) Recognized in Other Comprehensive Income (Loss)	Gains (Losses) Reclassified from Other Comprehensive Income (Loss) into Earnings

(Dollars in Millions)	2011	2010	2011	2010	2011	2010	2011	2010
Asset and Liability Management Positions								
Cash flow hedges								
Interest rate contracts								
Pay fixed/receive floating swaps (a)	$ (84)	$ (139)	$ (35)	$ (36)	$ (79)	$ (206)	$ (69)	$ (79)
Net investment hedges								
Foreign exchange forward contracts	(15)	48			(47)	17		

Note: Ineffectiveness on cash flow and net investment hedges was not material for the three months and six months ended June 30, 2011 and 2010.

(a) Gains (Losses) reclassified from other comprehensive income (loss) into interest expense on long-term debt.

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

		Gains (Losses) Recognized in Earnings			
		Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Millions)	Location of Gains (Losses) Recognized in Earnings	2011	2010	2011	2010
Asset and Liability Management Positions					
Fair value hedges (a)					
Interest rate contracts	Other noninterest income	$ 10	$ 12	$ 24	$ (84)
Foreign exchange cross-currency swaps	Other noninterest income	25	(161)	98	(231)
Other economic hedges					
Interest rate contracts					
Futures and forwards	Mortgage banking revenue	(10)	249	(24)	269
Purchased and written options	Mortgage banking revenue	93	121	142	191
Foreign exchange forward contracts	Commercial products revenue	(4)	20	(18)	9
Equity contracts	Compensation expense		2	1	2
Credit contracts	Other noninterest income/expense	(1)		(2)	
Customer-Related Positions					
Interest rate contracts					
Receive fixed/pay floating swaps	Other noninterest income	133	285	(14)	354
Pay fixed/receive floating swaps	Other noninterest income	(129)	(282)	11	(349)
Foreign exchange rate contracts					
Forwards, spots and swaps	Commercial products revenue	13	11	27	21

(a) Gains (Losses) on items hedged by interest rate contracts and foreign exchange forward contracts, included in noninterest income (expense), were $(10) million and $(25) million for the three months ended June 30, 2011, respectively, and $(11) million and $161 million for the three months ended June 30, 2010, respectively. Gains (Losses) on items hedged by interest rate contracts and foreign exchange forward contracts, included in noninterest income (expense), were $(24) million and $(97) million for the six months ended June 30, 2011, respectively, and $83 million and $230 million for the six months ended June 30, 2010, respectively. The ineffective portion was immaterial for the three months and six months ended June 30, 2011 and 2010.

Derivatives are subject to credit risk associated with counterparties to the derivative contracts. The Company measures that credit risk based on its assessment of the probability of counterparty default and includes that within the fair value of the derivative. The Company manages counterparty credit risk through diversification of its derivative positions among various counterparties, by entering into master netting agreements where possible and by requiring collateral agreements which allow the Company to call for immediate, full collateral coverage when credit-rating thresholds are triggered by counterparties.

The Company s collateral agreements are bilateral and, therefore, contain provisions that require collateralization of the Company s net liability derivative positions. Required collateral coverage is based on certain net liability

thresholds and contingent upon the Company s credit rating from two of the nationally recognized statistical rating organizations. If the Company s credit rating were to fall below credit ratings thresholds established in the collateral agreements, the counterparties to the derivatives could request immediate full collateral coverage for derivatives in net liability positions. The aggregate fair value of all derivatives under collateral agreements that were in a net liability position at June 30, 2011, was $1.4 billion. At June 30, 2011, the Company had $894 million of cash posted as collateral against this net liability position.

Note 13 Fair Values of Assets and Liabilities

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

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 includes U.S. Treasury and exchange-traded instruments.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 includes debt securities that are traded less frequently than exchange-traded instruments and which are valued using third-party pricing services; derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data; and MLHFS whose values are determined using quoted prices for similar assets or pricing models with inputs that are observable in the market or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes residential MSRs, certain debt securities, including the Company s SIV-related securities and non-agency mortgaged-backed securities, and certain derivative contracts.

When the Company changes its valuation inputs for measuring financial assets and financial liabilities at fair value, either due to changes in current market conditions or other factors, it may need to transfer those assets or liabilities to another level in the hierarchy based on the new inputs used. The Company recognizes these transfers at the end of the reporting period that the transfers occur. For the six months ended June 30, 2011 and 2010, there were no significant transfers of financial assets or financial liabilities between the hierarchy levels.

The following section describes the valuation methodologies used by the Company to measure financial assets and liabilities at fair value and for estimating fair value for financial instruments not recorded at fair value as required under disclosure guidance related to the fair value of financial instruments. In addition, for financial assets and liabilities measured at fair value, the following section includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified. Where appropriate, the description includes information about the valuation models and key inputs to those models.

Cash and Cash Equivalents The carrying value of cash, amounts due from banks, federal funds sold and securities purchased under resale agreements was assumed to approximate fair value.

Investment Securities When available, quoted market prices are used to determine the fair value of investment securities and such items are classified within Level 1 of the fair value hierarchy.
For other securities, the Company determines fair value based on various sources and may apply matrix pricing with observable prices for similar securities where a price for the identical security is not observable. Prices are verified, where possible, to prices of observable market trades as obtained from independent sources. Securities measured at fair value by such methods are classified within Level 2.

The fair value of securities for which there are no market trades, or where trading is inactive as compared to normal market activity, are classified within Level 3. Securities classified within Level 3 include non-agency mortgage-backed securities, certain asset-backed securities, certain collateralized debt obligations and collateralized loan obligations, certain corporate debt securities and SIV-related securities. Due to the limited number of trades of non-agency mortgage-backed securities and lack of reliable evidence about transaction prices, the Company determines the fair value of these securities using a cash flow methodology and incorporating observable market information, where available.
Cash flow methodologies and other market valuation techniques involving management judgment use assumptions regarding housing prices, interest rates and borrower performance. Inputs are refined and updated to reflect market developments. The primary valuation drivers of these securities are the prepayment rates, default rates and default severities associated with the underlying collateral, as well as the discount rate used to calculate the present value of the projected cash flows.

The following table shows the valuation assumption ranges for Level 3 available-for-sale non-agency mortgage-backed securities:

	Prime (a)			Non-prime		
	Minimum	Maximum	Average	Minimum	Maximum	Average
June 30, 2011						
Estimated lifetime prepayment rates	4%	20%	12%	1%	13%	6%
Lifetime probability of default rates		14	2		20	7
Lifetime loss severity rates	20	80	40	10	88	54
Discount margin	3	37	6		40	10
December 31, 2010						
Estimated lifetime prepayment rates	4%	28%	13%	1%	13%	6%
Lifetime probability of default rates		14	1		20	8
Lifetime loss severity rates	16	100	41	10	88	56
Discount margin	3	30	6	3	40	11

(a) Prime securities are those designated as such by the issuer or those with underlying asset characteristics and/or credit enhancements consistent with securities designated as prime.

Certain mortgage loans held for sale MLHFS measured at fair value, for which an active secondary market and readily available market prices exist, are initially valued at the transaction price and are subsequently valued by comparison to instruments with similar collateral and risk profiles. MLHFS are classified within Level 2. Included in mortgage banking revenue was an $11 million net loss and a $84 million net gain, for the three months ended June 30, 2011 and 2010, respectively, and a $136 million net loss and a $126 million net gain for the six months ended June 30, 2011 and 2010, respectively, from the changes to fair value of these MLHFS under fair value option accounting guidance. Changes in fair value due to instrument specific credit risk were immaterial. The fair value of MLHFS was $3.3 billion as of June 30, 2011, which exceeded the unpaid principal balance by $117 million as of that date. Interest income for MLHFS is measured based on contractual interest rates and reported as interest income in the Consolidated Statement of Income. Electing to measure MLHFS at fair value reduces certain timing differences and better matches changes in fair value of these assets with changes in the value of the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting.

Loans The loan portfolio includes adjustable and fixed-rate loans, the fair value of which was estimated using discounted cash flow analyses and other valuation techniques. The expected cash flows of loans considered historical

prepayment experiences and estimated credit losses for nonperforming loans and were discounted using current rates offered to borrowers of similar credit characteristics. Generally, loan fair values reflect Level 3 information.

Mortgage servicing rights MSRs are valued using a cash flow methodology and third-party prices, if available. Accordingly, MSRs are classified within Level 3. The Company determines fair value by estimating the present value of the asset s future cash flows using market-based prepayment rates, discount rates, and other assumptions validated through comparison to trade information, industry surveys, and independent third-party valuations. Risks inherent in MSRs valuation include higher than expected prepayment rates and/or delayed receipt of cash flows.

Derivatives Exchange-traded derivatives are measured at fair value based on quoted market (i.e., exchange) prices. Because prices are available for the identical instrument in an active market, these fair values are classified within Level 1 of the fair value hierarchy.

The majority of derivatives held by the Company are executed over-the-counter and are valued using standard cash flow, Black-Scholes and Monte Carlo valuation techniques. The models incorporate inputs, depending on the type of derivative, including interest rate curves, foreign exchange rates and volatility. In addition, all derivative values incorporate an assessment of the risk of counterparty nonperformance, measured based on the Company s evaluation of credit risk as well as external assessments of credit risk, where available. In its assessment of nonperformance risk, the Company considers its ability to net derivative positions under master netting agreements, as well as collateral received or provided under collateral support agreements. The majority of these derivatives are classified within Level 2 of the fair value hierarchy as the significant inputs to the models are observable. An exception to the Level 2 classification is certain derivative transactions for which the risk of nonperformance cannot be observed in the market. These derivatives are classified within Level 3 of the fair value hierarchy. In addition, commitments to sell, purchase and originate mortgage loans that meet the requirements of a derivative, are valued by pricing models that include market observable and unobservable inputs. Due to the significant unobservable inputs, these commitments are classified within Level 3 of the fair value hierarchy.

Deposit Liabilities The fair value of demand deposits, savings accounts and certain money market deposits is equal to the amount payable on demand. The fair value of fixed-rate certificates of deposit was estimated by discounting the contractual cash flow using current market rates.

Short-term Borrowings Federal funds purchased, securities sold under agreements to repurchase, commercial paper and other short-term funds borrowed have floating rates or short-term maturities. The fair value of short-term borrowings was determined by discounting contractual cash flows using current market rates.

Long-term Debt The fair value for most long-term debt was determined by discounting contractual cash flows using current market rates. Junior subordinated debt instruments were valued using market quotes.

Loan Commitments, Letters of Credit and Guarantees The fair value of commitments, letters of credit and guarantees represents the estimated costs to terminate or otherwise settle the obligations with a third-party. The fair value of residential mortgage commitments is estimated based on observable and unobservable inputs. Other loan commitments, letters of credit and guarantees are not actively traded, and the Company estimates their fair value based on the related amount of unamortized deferred commitment fees adjusted for the probable losses for these arrangements.

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

(Dollars in Millions)	Level 1	Level 2	Level 3	Netting	Total
June 30, 2011					
Available-for-sale securities					
U.S. Treasury and agencies	$ 632	$ 1,241	$	$	$ 1,873
Mortgage-backed securities					
Residential					
Agency		39,072			39,072
Non-agency					
Prime			896		896
Non-prime			895		895
Commercial					
Agency		158			158
Non-agency			50		50
Asset-backed securities					
Collateralized debt obligations/Collateralized loan obligations		94	133		227
Other		583	129		712
Obligations of state and political subdivisions		6,682			6,682
Obligations of foreign governments		6			6
Corporate debt securities		1,013	9		1,022
Perpetual preferred securities		475			475
Other investments	222	9			231
Total available-for-sale	854	49,333	2,112		52,299
Mortgage loans held for sale		3,304			3,304
Mortgage servicing rights			1,989		1,989
Derivative assets		724	889	(366)	1,247
Other assets		806			806
Total	$ 854	$ 54,167	$ 4,990	$ (366)	$ 59,645
Derivative liabilities	$	$ 2,077	$ 53	$ (1,181)	$ 949
Other liabilities		785			785
Total	$	$ 2,862	$ 53	$ (1,181)	$ 1,734
December 31, 2010					
Available-for-sale securities					
U.S. Treasury and agencies	$ 873	$ 1,664	$	$	$ 2,537
Mortgage-backed securities					
Residential					
Agency		37,703			37,703
Non-agency					
Prime			1,103		1,103
Non-prime			947		947

Commercial					
Agency		197			197
Non-agency			50		50
Asset-backed securities					
Collateralized debt obligations/Collateralized loan obligations		89	135		224
Other		587	133		720
Obligations of state and political subdivisions		6,417			6,417
Obligations of foreign governments		6			6
Corporate debt securities		949	9		958
Perpetual preferred securities		448			448
Other investments	181	18			199
Total available-for-sale	1,054	48,078	2,377		51,509
Mortgage loans held for sale		8,100			8,100
Mortgage servicing rights			1,837		1,837
Derivative assets		846	953	(280)	1,519
Other assets		470			470
Total	$ 1,054	$ 57,494	$ 5,167	$ (280)	$ 63,435
Derivative liabilities	$	$ 2,072	$ 102	$ (1,163)	$ 1,011
Other liabilities		470			470
Total	$	$ 2,542	$ 102	$ (1,163)	$ 1,481

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

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Net Total Purchases, Sales, Principal Payments, Issuances and Settlements	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets Still Held at End of Period
2011						
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$ 963	$ 1	$ (22)	$ (46)	$ 896	$ (22)
Non-prime	947	(2)	(19)	(31)	895	(19)
Commercial non-agency	50	1	(1)		50	
Asset-backed securities						
Collateralized debt obligations/Collateralized loan obligations	142	3	(1)	(11)	133	
Other	133	3	(1)	(6)	129	(1)
Corporate debt securities	9				9	
Total available-for-sale	2,244	6(a)	(44)	(94)	2,112	(42)
Mortgage servicing rights	2,073	(190) (b)		106	1,989	(190) (b)
Net derivative assets and liabilities	747	373(c)		(284)	836	(30) (d)
2010						
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$ 1,304	$	$ 21	$ (128)	$ 1,197	$ 19
Non-prime	900	(6)	52	(39)	907	52
Commercial non-agency	14		1		15	1
Asset-backed securities						
Collateralized debt obligations/Collateralized loan obligations	79	(2)	(2)		75	(1)
Other	335	(3)	4	(8)	328	5
Corporate debt securities	10				10	
Other investments	237	4	34	(9)	266	34

Total available-for-sale	2,879	(7) (e)	110	(184)	2,798	110
Mortgage servicing rights	1,778	(385) (b)		150	1,543	(385) (b)
Net derivative assets and liabilities	905	687(f)		(298)	1,294	68(g)

(a) Approximately $(9) million included in securities gains (losses) and $15 million included in interest income.
(b) Included in mortgage banking revenue.
(c) Approximately $232 million included in other noninterest income and $141 million included in mortgage banking revenue.
(d) Approximately $115 million included in other noninterest income and $(145) million included in mortgage banking revenue.
(e) Approximately $(21) million included in securities gains (losses) and $14 million included in interest income.
(f) Approximately $372 million included in other noninterest income and $315 million included in mortgage banking revenue.
(g) Approximately $260 million included in other noninterest income and $(192) million included in mortgage banking revenue.

Additional detail of purchases, sales, principal payments, issuances and settlements for assets and liabilities classified within Level 3 for the three months ended June 30, 2011, was as follows:

(Dollars in Millions)	Purchases	Sales	Principal Payments	Issuances	Settlements	Net Total
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$	$	$ (46)	$	$	$ (46)
Non-prime			(31)			(31)
Asset-backed securities						
Collateralized debt obligations/Collateralized loan obligations			(11)			(11)
Other			(6)			(6)
Total available-for-sale			(94)			(94)
Mortgage servicing rights	4			102(a)		106
Net derivative assets and liabilities		(2)			(282)	(284)

(a) Represents MSRs capitalized during the period

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

(Dollars in Millions)	Beginning of Period Balance	Net Gains (Losses) Included in Net Income	Net Gains (Losses) Included in Other Comprehensive Income (Loss)	Net Total Purchases, Sales, Principal Payments, Issuances and Settlements	End of Period Balance	Net Change in Unrealized Gains (Losses) Relating to Assets Still Held at End of Period
2011						
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$ 1,103	$ 3	$ 24	$ (234)	$ 896	$ 16
Non-prime	947	(2)	32	(82)	895	31
Commercial non-agency	50	1		(1)	50	
Asset-backed securities						

Collateralized debt obligations/Collateralized loan obligations	135	7	8	(17)	133	9
Other	133	7	2	(13)	129	2
Corporate debt securities	9				9	
Total available-for-sale	2,377	16(a)	66	(347)	2,112	58
Mortgage servicing rights	1,837	(174) (b)		326	1,989	(174) (b)
Net derivative assets and liabilities	851	416(c)		(431)	836	(169) (d)
2010						
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$ 1,429	$	$ 50	$ (282)	$ 1,197	$ 44
Non-prime	968	(37)	68	(92)	907	68
Commercial non-agency	13		2		15	1
Asset-backed securities						
Collateralized debt obligations/Collateralized loan obligations	98		(2)	(21)	75	
Other	357	(5)	(2)	(22)	328	(1)
Corporate debt securities	10				10	
Other investments	231	2	47	(14)	266	47
Total available-for-sale	3,106	(40) (e)	163	(431)	2,798	159
Mortgage servicing rights	1,749	(493) (b)		287	1,543	(493) (b)
Net derivative assets and liabilities	815	1,059(f)		(580)	1,294	41(g)

(a) Approximately $(15) million included in securities gains (losses) and $31 million included in interest income.
(b) Included in mortgage banking revenue.
(c) Approximately $227 million included in other noninterest income and $189 million included in mortgage banking revenue.
(d) Approximately $(14) million included in other noninterest income and $(155) million included in mortgage banking revenue.
(e) Approximately $(67) million included in securities gains (losses) and $27 million included in interest income.
(f) Approximately $613 million included in other noninterest income and $446 million included in mortgage banking revenue.
(g) Approximately $338 million included in other noninterest income and $(297) million included in mortgage banking revenue.

Additional detail of purchases, sales, principal payments, issuances and settlements for assets and liabilities classified within Level 3 for the six months ended June 30, 2011, was as follows:

(Dollars in Millions)	Purchases	Sales	Principal Payments	Issuances	Settlements	Net Total
Available-for-sale securities						
Mortgage-backed securities						
Residential non-agency						
Prime	$	$ (115)	$ (119)	$	$	$ (234)
Non-prime		(12)	(70)			(82)
Commercial non-agency			(1)			(1)
Asset-backed securities						
Collateralized debt obligations/Collateralized loan obligations			(17)			(17)
Other			(13)			(13)
Total available-for-sale		(127)	(220)			(347)
Mortgage servicing rights	11			315(a)		326
Net derivative assets and liabilities		(3)			(428)	(431)

(a) Represents MSRs capitalized during the period

The Company is also required periodically to measure certain other financial assets at fair value on a nonrecurring basis.

These measurements of fair value usually result from the application of lower-of-cost-or-fair value accounting or write-downs of individual assets. The following table summarizes the adjusted carrying values and the level of valuation assumptions for assets measured at fair value on a nonrecurring basis:

	June 30, 2011				December 31, 2010			
(Dollars in Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Loans (a)	$	$ 151	$	$ 151	$	$ 404	$ 1	$ 405
Other real estate owned (b)		275		275		812		812
Other intangible assets							1	1
Other assets						4	9	13

(a) Represents the carrying value of loans for which adjustments are based on the appraised value of the collateral, excluding loans fully charged-off.

(b) Represents the fair value of foreclosed properties that were measured at fair value based on the appraisal value of the collateral subsequent to their initial acquisition.

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

	Three Months	Six Months

(Dollars in Millions)	Ended June 30, 2011	2010	Ended June 30, 2011	2010
Loans (a)	$ 106	$ 92	$ 121	$ 213
Other real estate owned (b)	62	65	149	115
Other intangible assets				
Other assets				

(a) Represents write-downs of loans which are based on the appraised value of the collateral, excluding loans fully charged-off.

(b) Represents related losses of foreclosed properties that were measured at fair value subsequent to their initial acquisition.

Fair Value Option

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

	June 30, 2011			December 31, 2010		
(Dollars in Millions)	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal	Fair Value Carrying Amount	Aggregate Unpaid Principal	Carrying Amount Over (Under) Unpaid Principal
Total loans	$ 3,304	$ 3,187	$ 117	$ 8,100	$ 8,034	$ 66
Nonaccrual loans	9	15	(6)	11	18	(7)
Loans 90 days or more past due	4	4		6	6	

Disclosures about Fair Value of Financial Instruments The following table summarizes the estimated fair value for financial instruments as of June 30, 2011 and December 31, 2010, and includes financial instruments that are not accounted for at fair value. In accordance with disclosure guidance related to fair values of financial instruments, the Company did not include assets and liabilities that are not financial instruments, such as the value of goodwill, long-term relationships with deposit, credit card, merchant processing and trust customers, other purchased intangibles, premises and equipment, deferred taxes and other liabilities.

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

	June 30, 2011		December 31, 2010	
(Dollars in Millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and due from banks	$ 15,250	$ 15,250	$ 14,487	$ 14,487
Investment securities held-to-maturity	13,280	13,431	1,469	1,419
Mortgages held for sale (a)	5	5	4	4
Other loans held for sale	234	234	267	267
Loans	194,811	196,711	191,751	192,058
Financial Liabilities				
Deposits	214,883	215,330	204,252	204,799
Short-term borrowings	29,654	29,816	32,557	32,839
Long-term debt	32,830	33,419	31,537	31,981

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

The fair value of unfunded commitments, standby letters of credit and other guarantees is approximately equal to their carrying value. The carrying value of unfunded commitments and standby letters of credit was $361 million and $353 million at June 30, 2011 and December 31, 2010, respectively. The carrying value of other guarantees was $425 million and $330 million at June 30, 2011 and December 31, 2010, respectively.

Note 14 Guarantees and Contingent Liabilities

Visa Restructuring and Card Association Litigation The Company s payment services business issues and acquires credit and debit card transactions through the Visa U.S.A. Inc. card association or its affiliates (collectively Visa). In 2007, Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members in contemplation of its initial public offering (IPO) completed in the first quarter of 2008 (the Visa Reorganization). As a part of the Visa Reorganization, the Company received its proportionate number of shares of Visa Inc. common stock, which were subsequently converted to Class B shares of Visa Inc. (Class B shares). The Company and certain of its subsidiaries have been named as defendants along with Visa U.S.A. Inc. (Visa U.S.A.) and MasterCard International (collectively, the Card Associations), as well as several other banks, in antitrust lawsuits challenging the practices of the Card Associations (the Visa Litigation). Visa U.S.A. member banks have a contingent obligation to indemnify Visa Inc. under the Visa U.S.A. bylaws (which were modified at the time of the restructuring in October 2007) for potential losses arising from the Visa Litigation. The indemnification by the Visa U.S.A. member banks has no specific maximum amount. The Company has also entered into judgment and loss sharing agreements with Visa

U.S.A. and certain other banks in order to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the Visa Litigation.

In 2007 and 2008, Visa announced settlement agreements relating to certain of the Visa Litigation matters. Visa U.S.A. member banks remain obligated to indemnify Visa Inc. for potential losses arising from the remaining Visa Litigation. Using proceeds from its IPO and through subsequent reductions to the conversion ratio applicable to the Class B shares held by Visa U.S.A. member banks, Visa Inc. has established an escrow account for the benefit of member financial institutions to fund the expenses of the Visa Litigation, as well as the members proportionate share of any judgments or settlements that may arise out of the Visa Litigation. The receivable related to the escrow account is classified in other liabilities as a direct offset to the related Visa Litigation contingent liability, and will decline as amounts are paid out of the escrow account. During the first quarter of 2011, Visa deposited additional funds into the escrow account and further reduced the conversion ratio applicable to the Class B shares. As a result, the Company recognized a gain of $22 million during the first quarter of 2011 related to the effective repurchase of a portion of the Class B shares.

At June 30, 2011, the carrying amount of the Company s liability related to the remaining Visa Litigation matters, was $28 million. Class B shares are non-transferable, except for transfers to other Visa U.S.A. member banks. The remaining Class B shares held by the Company will be eligible for conversion to Class A shares upon settlement of the Visa Litigation.

The following table is a summary of other guarantees and contingent liabilities of the Company at June 30, 2011:

(Dollars in Millions)	Carrying Amount	Maximum Potential Future Payments
Standby letters of credit	$ 100	$ 19,290
Third-party borrowing arrangements		129
Securities lending indemnifications		9,114
Asset sales (a)	241	1,903
Merchant processing	74	78,715
Contingent consideration arrangements	5	5
Minimum revenue guarantees	24	37
Other	53	8,924

(a) The maximum potential future payments does not include loan sales where the Company provides standard representations and warranties to the buyer against losses related to loan underwriting documentation. For these types of loan sales, the maximum potential future payments are not readily determinable because the Company s obligation under these agreements depends upon the occurrence of future events.

Merchant Processing The Company, through its subsidiaries, provides merchant processing services. Under the rules of credit card associations, a merchant processor retains a contingent liability for credit card transactions processed. This contingent liability arises in the event of a billing dispute between the merchant and a cardholder that is ultimately resolved in the cardholder s favor. In this situation, the transaction is charged-back to the merchant and the disputed amount is credited or otherwise refunded to the cardholder. If the Company is unable to collect this amount from the merchant, it bears the loss for the amount of the refund paid to the cardholder.

The Company currently processes card transactions in the United States, Canada and Europe for airline companies. In the event of liquidation of these merchants, the Company could become financially liable for refunding tickets purchased through the credit card associations under the charge-back provisions. Charge-back risk related to these merchants is evaluated in a manner similar to credit risk assessments and, as such, merchant processing contracts contain various provisions to protect the Company in the event of default. At June 30, 2011, the value of airline tickets purchased to be delivered at a future date was $7.4 billion. The Company held collateral of $609 million in escrow deposits, letters of credit and indemnities from financial institutions, and liens on various assets.

Asset Sales The Company regularly sells loans to government-sponsored entities (GSEs) as part of its mortgage banking activities. The Company provides customary representations and warranties to the GSEs in conjunction with these sales. These representations and warranties generally require the Company to repurchase assets if it is subsequently determined that a loan did not meet specified criteria, such as a documentation deficiency or rescission of mortgage insurance. If the Company is unable to cure or refute a repurchase request, the Company is generally obligated to repurchase the loan or otherwise reimburse the counterparty for losses. At June 30, 2011, the Company had reserved $173 million for potential losses from representations and warranty obligations. The reserve is based on

the Company s repurchase and loss trends, and quantitative and qualitative factors that may result in anticipated losses being different from historical loss trends, including loan vintage, underwriting characteristics and macroeconomic trends.

Checking Account Overdraft Fee Litigation The Company is a defendant in three separate cases primarily challenging the Company s daily ordering of debit transactions posted to customer checking accounts for the period from 2003 to 2010. The plaintiffs have requested class action treatment; however, no class has been certified. The court has denied a motion by the Company to dismiss these cases. The Company believes it has meritorious defenses against these matters, including class certification. As these cases are in the early stages and no damages have been specified, no specific loss range or range of loss can be determined currently.

Other During the second quarter of 2011, the Company and its two primary banking subsidiaries entered into Consent Orders with U.S. federal banking regulators regarding the Company s residential mortgage servicing and foreclosure processes. The Company has not been notified of any monetary penalty related to the Consent Orders, however, the Consent Orders could result in fines, penalties, restitutions or other alterations to the Company s business practices. Other governmental authorities are reported to be discussing various actions with certain mortgage

servicers, although the Company has not been notified of any pending regulatory actions or penalties beyond the Consent Orders. Such actions could also lead to fines, settlements or alterations in business practices.

The Company is subject to various other litigation, investigations and legal and administrative cases and proceedings that arise in the ordinary course of its businesses. Due to their complex nature, it may be years before some matters are resolved. While it is impossible to ascertain the ultimate resolution or range of financial liability with respect to these contingent matters, the Company believes that the aggregate amount of such liabilities will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

For additional information on the nature of the Company s guarantees and contingent liabilities, refer to Note 22 in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Note 15 Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to June 30, 2011 through the date the consolidated financial statements were filed with the United States Securities and Exchange Commission. Based on this evaluation, the Company has determined none of these events were required to be recognized or disclosed in the consolidated financial statements and related notes.
MDA Tables Throw Away Note and Keep Tables

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U.S. Bancorp
Consolidated Daily Average Balance Sheet and Related
Yields and Rates (a)

(Dollars in Millions) (Unaudited)	For the Three Months Ended June 30, 2011 Average Balances	Interest	Yields and Rates	2010 Average Balances	Interest	Yields and Rates	% Change Average Balances
Assets							
Investment securities	$ 62,955	$ 500	3.18%	$ 47,140	$ 434	3.69%	33.5%
Loans held for sale	3,118	34	4.36	4,048	47	4.61	(23.0)
Loans (b)							
Commercial	50,054	517	4.14	46,340	488	4.22	8.0
Commercial real estate	35,499	400	4.53	34,164	377	4.43	3.9
Residential mortgages	32,734	400	4.89	26,821	351	5.24	22.0
Retail	63,824	1,029	6.47	63,382	1,061	6.71	.7
Total loans, excluding covered loans	182,111	2,346	5.16	170,707	2,277	5.35	6.7
Covered loans	16,699	234	5.62	20,454	252	4.93	(18.4)
Total loans	198,810	2,580	5.20	191,161	2,529	5.30	4.0
Other earning assets	12,688	63	1.98	5,097	39	3.03	*
Total earning assets	277,571	3,177	4.59	247,446	3,049	4.94	12.2
Allowance for loan losses	(5,331)			(5,443)			2.1
Unrealized gain (loss) on available-for-sale securities	250			(19)			*
Other assets	40,120			39,356			1.9
Total assets	$ 312,610			$ 281,340			11.1
Liabilities and Shareholders Equity							
Noninterest-bearing deposits	$ 48,721			$ 39,917			22.1
Interest-bearing deposits							
Interest checking	43,334	17	.16	39,503	18	.19	9.7
Money market savings	45,014	18	.16	40,256	33	.34	11.8
Savings accounts	26,522	28	.41	20,035	30	.59	32.4
Time certificates of deposit less than $100,000	15,368	73	1.92	16,980	75	1.77	(9.5)
Time deposits greater than $100,000	30,452	74	.98	26,627	73	1.09	14.4

Total interest-bearing deposits	160,690	210	.52	143,401	229	.64	12.1
Short-term borrowings	29,008	133	1.83	32,286	139	1.72	(10.2)
Long-term debt	32,183	290	3.61	30,242	272	3.60	6.4
Total interest-bearing liabilities	221,881	633	1.14	205,929	640	1.25	7.7
Other liabilities	9,156			7,328			24.9
Shareholders equity							
Preferred equity	2,503			1,599			56.5
Common equity	29,464			25,820			14.1
Total U.S. Bancorp shareholders equity	31,967			27,419			16.6
Noncontrolling interests	885			747			18.5
Total equity	32,852			28,166			16.6
Total liabilities and equity	$ 312,610			$ 281,340			11.1
Net interest income		$ 2,544			$ 2,409		
Gross interest margin			3.45%			3.69%	
Gross interest margin without taxable-equivalent increments			3.37			3.61	
Percent of Earning Assets							
Interest income			4.59%			4.94%	
Interest expense			.92			1.04	
Net interest margin			3.67%			3.90%	
Net interest margin without taxable-equivalent increments			3.59%			3.82%	

* *Not meaningful*

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

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

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U.S. Bancorp
Consolidated Daily Average Balance Sheet and Related Yields and Rates (a)

	For the Six Months Ended June 30,						
	2011			2010			
(Dollars in Millions) (Unaudited)	Average Balances	Interest	Yields and Rates	Average Balances	Interest	Yields and Rates	% Change Average Balances
Assets							
Investment securities	$ 59,698	$ 968	3.24%	$ 46,678	$ 885	3.79%	27.9%
Loans held for sale	4,603	97	4.24	3,990	91	4.56	15.4
Loans (b)							
Commercial	49,387	1,018	4.15	46,805	971	4.17	5.5
Commercial real estate	35,340	796	4.54	34,153	747	4.41	3.5
Residential mortgages	32,258	793	4.93	26,616	698	5.25	21.2
Retail	64,043	2,073	6.53	63,502	2,125	6.75	.9
Total loans, excluding covered loans	181,028	4,680	5.21	171,076	4,541	5.34	5.8
Covered loans	17,166	469	5.49	20,939	505	4.85	(18.0)
Total loans	198,194	5,149	5.23	192,015	5,046	5.29	3.2
Other earning assets	13,271	120	1.82	5,450	73	2.69	*
Total earning assets	275,766	6,334	4.62	248,133	6,095	4.94	11.1
Allowance for loan losses	(5,375)			(5,378)			.1
Unrealized gain (loss) on available-for-sale securities	(33)			(212)			84.4
Other assets	39,908			38,987			2.4
Total assets	$ 310,266			$ 281,530			10.2
Liabilities and Shareholders Equity							
Noninterest-bearing deposits	$ 46,467			$ 38,964			19.3
Interest-bearing deposits							
Interest checking	42,991	36	.17	39,747	37	.19	8.2
Money market savings	45,330	46	.20	40,577	70	.35	11.7
Savings accounts	25,929	63	.49	19,038	55	.58	36.2
Time certificates of deposit less than $100,000	15,316	145	1.92	17,654	155	1.77	(13.2)
Time deposits greater than $100,000	30,838	154	1.01	26,947	148	1.11	14.4
	160,404	444	.56	143,963	465	.65	11.4

Total interest-bearing deposits							
Short-term borrowings	30,597	268	1.76	32,418	269	1.67	(5.6)
Long-term debt	31,877	571	3.60	31,343	549	3.52	1.7
Total interest-bearing liabilities	222,878	1,283	1.16	207,724	1,283	1.24	7.3
Other liabilities	9,080			7,210			25.9
Shareholders equity							
Preferred equity	2,218			1,550			43.1
Common equity	28,776			25,369			13.4
Total U.S. Bancorp shareholders equity	30,994			26,919			15.1
Noncontrolling interests	847			713			18.8
Total equity	31,841			27,632			15.2
Total liabilities and equity	$ 310,266			$ 281,530			10.2
Net interest income		$ 5,051			$ 4,812		
Gross interest margin			3.46%			3.70%	
Gross interest margin without taxable-equivalent increments			3.38			3.62	
Percent of Earning Assets							
Interest income			4.62%			4.94%	
Interest expense			.94			1.04	
Net interest margin			3.68%			3.90%	
Net interest margin without taxable-equivalent increments			3.60%			3.82%	

* *Not meaningful*

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

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

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Part II Other Information

Item 1A. Risk Factors There are a number of factors that may adversely affect the Company s business, financial results or stock price. Refer to Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, for discussion of these risks.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds Refer to the Capital Management section within Management s Discussion and Analysis in Part I for information regarding shares repurchased by the Company during the second quarter of 2011.

Item 6. Exhibits

12	Computation of Ratio of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002
101	Financial statements from the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2011, formatted in Extensible Business Reporting Language: (i) the Consolidated Balance Sheet, (ii) the Consolidated Statement of Income, (iii) the Consolidated Statement of Shareholders Equity, (iv) the Consolidated Statement of Cash Flows and (v) the Notes to Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. BANCORP

By: /s/ Craig E. Gifford

Craig E. Gifford
Controller
(Principal Accounting Officer and Duly Authorized Officer)
DATE: August 8, 2011

EXHIBIT 12

Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Earnings		
1. Net income attributable to U.S. Bancorp	$ 1,203	$ 2,249
2. Applicable income taxes, including expense related to unrecognized tax positions	458	824
3. Net income attributable to U.S. Bancorp before income taxes (1 + 2)	$ 1,661	$ 3,073
4. Fixed charges:		
a. Interest expense excluding interest on deposits*	$ 421	$ 835
b. Portion of rents representative of interest and amortization of debt expense	25	51
c. Fixed charges excluding interest on deposits (4a + 4b)	446	886
d. Interest on deposits	210	444
e. Fixed charges including interest on deposits (4c + 4d)	$ 656	$ 1,330
5. Amortization of interest capitalized	$	$
6. Earnings excluding interest on deposits (3 + 4c + 5)	2,107	3,959
7. Earnings including interest on deposits (3 + 4e + 5)	2,317	4,403
8. Fixed charges excluding interest on deposits (4c)	446	886
9. Fixed charges including interest on deposits (4e)	656	1,330
Ratio of Earnings to Fixed Charges		
10. Excluding interest on deposits (line 6/line 8)	4.72	4.47
11. Including interest on deposits (line 7/line 9)	3.53	3.31

* *Excludes interest expense related to unrecognized tax positions*

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EXHIBIT 31.1

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

I, Richard K. Davis, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

(5) The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

/s/ Richard K. Davis
Richard K. Davis
Chief Executive Officer

Dated: August 8, 2011

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EXHIBIT 31.2

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

I, Andrew Cecere, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of U.S. Bancorp;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting; and

(5) The registrant s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial information; and

(b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal control over financial reporting.

/s/ Andrew Cecere
Andrew Cecere
Chief Financial Officer

Dated: August 8, 2011

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EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Chief Executive Officer and Chief Financial Officer of U.S. Bancorp, a Delaware corporation (the Company), do hereby certify that:

(1) The Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Richard K. Davis	/s/ Andrew Cecere
Richard K. Davis	Andrew Cecere
Chief Executive Officer	*Chief Financial Officer*

Dated: August 8, 2011

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Corporate Information

Executive Offices

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

Common Stock Transfer Agent and Registrar
BNY Mellon Shareowner Services acts as our transfer agent and registrar, dividend paying agent and dividend reinvestment plan administrator, and maintains all shareholder records for the corporation. Inquiries related to shareholder records, stock transfers, changes of ownership, lost stock certificates, changes of address and dividend payment should be directed to the transfer agent at:

BNY Mellon Shareowner Services
P.O. Box 358015
Pittsburgh, PA 15252-8015
Phone: 888-778-1311 or 201-680-6578 (international calls)
Internet: bnymellon.com/shareowner

For Registered or Certified Mail:
BNY Mellon Shareowner Services
500 Ross St., 6th Floor
Pittsburgh, PA 15219

Telephone representatives are available weekdays from 8:00 a.m. to 6:00 p.m. Central Time, and automated support is available 24 hours a day, 7 days a week. Specific information about your account is available on BNY Mellon s internet site by clicking on the Investor ServiceDirect® link.

Independent Auditor
Ernst & Young LLP serves as the independent auditor for U.S. Bancorp s financial statements.

Common Stock Listing and Trading
U.S. Bancorp common stock is listed and traded on the New York Stock Exchange under the ticker symbol USB.

Dividends and Reinvestment Plan
U.S. Bancorp currently pays quarterly dividends on our common stock on or about the 15th day of January, April, July and October, subject to approval by our Board of Directors. U.S. Bancorp shareholders can choose to participate in a plan that provides automatic reinvestment of dividends and/or optional cash purchase of additional shares of U.S. Bancorp common stock. For more information, please contact our transfer agent, BNY Mellon Shareowner Services.

Investor Relations Contacts
Judith T. Murphy

Executive Vice President, Corporate Investor and Public Relations
judith.murphy@usbank.com
Phone: 612-303-0783 or 866-775-9668

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

Website For information about U.S. Bancorp, including news, financial results, annual reports and other documents filed with the Securities and Exchange Commission, access our home page on the internet at usbank.com, click on *About U.S. Bank*.

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

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

Media Requests
Thomas Joyce
Senior Vice President, Media Relations
thomas.joyce@usbank.com
Phone: 612-303-3167

Privacy
U.S. Bancorp is committed to respecting the privacy of our customers and safeguarding the financial and personal information provided to us. To learn more about the U.S. Bancorp commitment to protecting privacy, visit usbank.com and click on Privacy Pledge.

Code of Ethics
U.S. Bancorp places the highest importance on honesty and integrity. Each year, every U.S. Bancorp employee certifies compliance with the letter and spirit of our Code of Ethics and Business Conduct, the guiding ethical standards of our organization. For details about our Code of Ethics and Business Conduct, visit usbank.com and click on *About U.S. Bank*.

Diversity
U.S. Bancorp and our subsidiaries are committed to developing and maintaining a workplace that reflects the diversity of the communities we serve. We support a work environment where individual differences are valued and respected and where each individual who shares the fundamental values of the Company has an opportunity to contribute and grow based on individual merit.

Equal Employment Opportunity/Affirmative Action
U.S. Bancorp and our subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this commitment, employment decisions are made based upon performance, skill and abilities, not race, color, religion, national origin or ancestry, gender, age, disability, veteran status, sexual orientation or any other factors protected by law. The corporation complies with municipal, state and federal fair employment laws, including regulations applying to federal contractors.

U.S. Bancorp, including each of our subsidiaries, is an Equal Opportunity Employer committed to creating a diverse workforce.

U.S. Bancorp
Member FDIC

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