



U.S. Bancorp Reports First Quarter 2018 Results

April 18, 2018

- Net revenue of \$5,469 million and net income of \$1,675 million
- Industry leading return on average assets of 1.50% and return on average common equity of 14.9%
- Return on tangible common equity of 19.3%

MINNEAPOLIS--(BUSINESS WIRE)--Apr. 18, 2018-- U.S. Bancorp (NYSE: USB):

1Q18 Key Financial Data

PROFITABILITY METRICS	1Q18	4Q17	1Q17
Return on average assets (%)	1.50	1.46	1.35
Return on average common equity (%)	14.9	14.7	13.3
Return on tangible common equity (%) (a)	19.3	18.8	17.2
Net interest margin (%)	3.13	3.11	3.06
Efficiency ratio (%) (a)	55.9	69.8	55.3

INCOME STATEMENT (b)	1Q18	4Q17	1Q17
Net interest income (taxable-equivalent basis)	\$3,197	\$3,228	\$3,030
Noninterest income	\$2,272	\$2,370	\$2,259
Net income attributable to U.S. Bancorp	\$1,675	\$1,682	\$1,473
Diluted earnings per common share	\$.96	\$.97	\$.82
Dividends declared per common share	\$.30	\$.30	\$.28

BALANCE SHEET (b)	1Q18	4Q17	1Q17
Average total loans	\$279,388	\$279,751	\$273,158
Average total deposits	\$334,580	\$339,162	\$328,433
Net charge-off ratio	.49%	.46%	.50%
Book value per common share (period end)	\$26.54	\$26.34	\$25.05
Basel III standardized CET1 (c)	9.0%	9.1%	9.2%

(a) See Non-GAAP Financial Measures reconciliation on pages 16-17

(b) Dollars in millions, except per share data

(c) CET1 = Common equity tier 1 capital ratio, 4Q17 and 1Q17 as if fully implemented

1Q18 Highlights

- Net income of \$1,675 million and diluted earnings per common share of \$0.96 in the first quarter of 2018
- Industry leading return on average assets of 1.50% and return on average common equity of 14.9%
- Returned 68% of 1Q earnings to shareholders through dividends and share buybacks
- Net interest income grew 5.5% year-over-year
- Total net revenue grew 3.4% year-over-year
 - Payment services revenue grew 6.5%
 - Trust and investment management fees increased 8.2%
 - Deposit service charges increased 5.8%
- Net interest margin of 3.13% was 7 basis points higher than 1Q17 and 2 basis points higher than 4Q17 (4 basis points excluding the impact of tax reform)
- Average total loans grew 2.3% year-over-year

CEO Commentary

"We reported a solid first quarter, highlighted by a 19.3% return on average tangible common equity. We delivered solid growth in net interest income and high return fee businesses such as corporate payments, credit card, and wealth management and investment services. We continue to invest for the future and I'm pleased with the progress we are making on initiatives aimed at advancing our digital offerings and expanding our treasury management and payment services capabilities. This is a rapidly evolving banking environment and we are positioning this company to be a trusted partner to our customers, with the products and services that enable them to do what they want, when, where and how they want. As we continue on this journey, I am grateful to our customers for their trust and to our employees for their commitment to our continued success."

—Andy Cecere, Chairman, President and CEO, U.S. Bancorp

In the Spotlight

Most Admired Super-Regional Bank

Fortune has named U.S. Bank a World's Most Admired Company, naming it the world's most admired super-regional bank for the eighth consecutive year and recognizing several of U.S. Bank's attributes as most admired among all companies including being #1 in the categories of Management Quality and Use of Corporate Assets.

Best Employer for Diversity

Forbes magazine has named U.S. Bank a Best Employer for Diversity, including the bank in a first-ever list of top employers based on employee surveys, reputation research and public diversity leadership data.

One of the World's Most Ethical Companies

Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices, has recognized U.S. Bank as a 2018 World's Most Ethical Company®. This marks the fourth consecutive year U.S. Bank has earned this recognition.

A "Best Place to Work"

The Human Rights Campaign Foundation designated U.S. Bank as a "Best Place to Work" with a high score of 100 on its LGBTQ rights-focused Corporate Equality Index. Through its index, the Foundation evaluates businesses from a diverse set of industries in regards to their policies and benefits. As of 2018, U.S. Bank has proudly earned a score of 100 percent for 11 years in a row.

INCOME STATEMENT HIGHLIGHTS

			Percent Change		
	1Q 2018	4Q 2017	1Q 2017	1Q18 vs 4Q17	1Q18 vs 1Q17
Net interest income	\$3,168	\$3,175	\$2,980	(.2)	6.3
Taxable-equivalent adjustment	29	53	50	(45.3)	(42.0)
Net interest income (taxable-equivalent basis)	3,197	3,228	3,030	(1.0)	5.5
Noninterest income	2,272	2,370	2,259	(4.1)	.6
Total net revenue	5,469	5,598	5,289	(2.3)	3.4
Noninterest expense	3,055	3,899	2,909	(21.6)	5.0
Income before provision and income taxes	2,414	1,699	2,380	42.1	1.4
Provision for credit losses	341	335	345	1.8	(1.2)
Income before taxes	2,073	1,364	2,035	52.0	1.9
Income taxes and taxable-equivalent adjustment	391	(322)	549	nm	(28.8)
Net income	1,682	1,686	1,486	(.2)	13.2
Net (income) loss attributable to noncontrolling interests	(7)	(4)	(13)	(75.0)	46.2
Net income attributable to U.S. Bancorp	\$1,675	\$1,682	\$1,473	(.4)	13.7
Net income applicable to U.S. Bancorp common shareholders	\$1,597	\$1,611	\$1,387	(.9)	15.1
Diluted earnings per common share	\$.96	\$.97	\$.82	(1.0)	17.1

Net income attributable to U.S. Bancorp was \$1,675 million for the first quarter of 2018, 13.7 percent higher than the \$1,473 million for the first quarter of 2017, and 0.4 percent lower than the \$1,682 million for the fourth quarter of 2017. Excluding notable items in the fourth quarter of 2017, net income attributable to U.S. Bancorp increased 9.3 percent. Diluted earnings per common share were \$0.96 in the first quarter of 2018. Results for the first quarter of 2018 included favorable tax matters partially offset by the impact of a transitional change in stock-based compensation vesting provisions, that combined, increased diluted earnings per common share by \$0.01. Diluted earnings per common share were \$0.97 in the fourth quarter of 2017, which included \$0.09 of notable items, including a benefit of \$910 million related to the estimated impact of tax reform on the Company's tax related assets and liabilities, partially offset by a \$608 million accrual for regulatory and legal matters, and \$152 million, net of tax, for a charitable contribution to the U.S. Bank Foundation and a special bonus to certain eligible employees. The increase in net income year-over-year was primarily due to total net revenue growth of 3.4 percent (3.9 percent excluding the impact of tax reform related to taxable-equivalent adjustments for tax exempt assets), including an increase in net interest income of 5.5 percent, mainly a result of the impact of rising interest rates and loan growth. Noninterest income increased 0.6 percent principally due to higher payment services revenue, trust and investment management fees and deposit service charges, offset by decreases in mortgage banking revenue and commercial product revenue in addition to lower equity investment income and securities gains compared with a year ago. The increase in total net revenue was partially offset by higher noninterest expense of 5.0 percent (3.7 percent excluding the impact of stock-based compensation vesting changes), primarily due to increased compensation expense related to hiring to support business growth and compliance programs, merit increases, variable compensation related to revenue growth, increased expense from a change to a shorter vesting period for new stock-based compensation grants, and higher employee benefits expense, partially offset by lower professional services expense driven by lower consulting costs for risk and compliance programs, and other expenses.

Excluding the fourth quarter 2017 notable items, net income increased on a linked quarter basis primarily due to the impact of the lower corporate tax rate effective in 2018. Total net revenue decreased 2.3 percent and noninterest expense decreased 0.6 percent. The decrease in total net revenue reflected a decrease in net interest income of 1.0 percent, due to two fewer days in the first quarter, and a decrease in noninterest income of 4.1 percent driven by seasonally lower payment services fees and mortgage banking revenue and lower equity investment income. The decrease in noninterest expense was primarily driven by seasonally lower costs related to investments in tax-advantaged projects, mortgage banking costs and professional services expense, offset by increased compensation expense primarily related to the timing of stock-based compensation grants, and associated vesting period changes, and seasonally higher employee benefits expense.

NET INTEREST INCOME

(Taxable-equivalent basis; \$ in millions)			Change			
	1Q 2018	4Q 2017	1Q 2017	1Q18 vs 4Q17	1Q18 vs 1Q17	
Components of net interest income						
Income on earning assets	\$3,822	\$3,785	\$3,444	\$37	\$378	
Expense on interest-bearing liabilities	625	557	414	68	211	
Net interest income	\$3,197	\$3,228	\$3,030	\$(31)	\$167	
Average yields and rates paid						
Earning assets yield	3.75	% 3.64	% 3.48	% .11	% .27	%
Rate paid on interest-bearing liabilities	.81	.72	.57	.09	.24	
Gross interest margin	2.94	% 2.92	% 2.91	% .02	% .03	%
Net interest margin	3.13	% 3.11	% 3.06	% .02	% .07	%
Average balances						
Investment securities (a)	\$113,493	\$113,287	\$110,764	\$206	\$2,729	
Loans	279,388	279,751	273,158	(363)	6,230	
Earning assets	411,849	413,510	399,281	(1,661)	12,568	
Interest-bearing liabilities	311,615	308,976	296,170	2,639	15,445	

(a) Excludes unrealized gain (loss)

Net interest income on a taxable-equivalent basis in the first quarter of 2018 was \$3,197 million, an increase of \$167 million (5.5 percent) over the first quarter of 2017. The increase was principally driven by the impact of rising interest rates and loan growth, partially offset by deposit and funding mix and the impact of tax reform which reduced the taxable-equivalent adjustment benefit related to tax exempt assets. Average earning assets were \$12.6 billion (3.1 percent) higher than the first quarter of 2017, reflecting increases of \$6.2 billion (2.3 percent) in average total loans, \$2.7 billion (2.5 percent) in average investment securities and \$4.1 billion (34.9 percent) in average other earning assets. Net interest income on a taxable-equivalent basis decreased \$31 million (1.0 percent) on a linked quarter basis primarily driven by the impact of two fewer days in the first quarter, tax reform, and deposit and funding mix, partially offset by the impact of higher rates. Average earning assets were \$1.7 billion (0.4 percent) lower on a linked quarter basis, reflecting decreases of \$363 million (0.1 percent) in average total loans and \$717 million (4.3 percent) in average other earning assets, partially offset by an increase of \$206 million (0.2 percent) in average investment securities.

The net interest margin in the first quarter of 2018 was 3.13 percent, compared with 3.06 percent in the first quarter of 2017, and 3.11 percent in the fourth quarter of 2017. Excluding the impact of tax reform related to tax exempt income, the linked quarter increase in net interest margin was 4 basis points. The increase in the net interest margin year-over-year and on a linked quarter basis was primarily due to higher interest rates, partially offset by loan mix, higher funding costs and higher cash balances year-over-year. The first quarter 2018 adoption of a new accounting standard related to revenue recognition increased net interest income and the related margin compared with previously reported results. All periods have been adjusted to reflect this change.

Average investment securities in the first quarter of 2018 were \$2.7 billion (2.5 percent) higher year-over-year and \$206 million (0.2 percent) higher than the prior quarter. The increase year-over-year was primarily due to purchases of U.S. Treasury and U.S. government mortgage-backed securities, net of prepayments and maturities, in support of liquidity management.

AVERAGE LOANS

(\$ in millions)			Percent Change			
	1Q 2018	4Q 2017	1Q 2017	1Q18 vs 4Q17	1Q18 vs 1Q17	
Commercial	\$91,933	\$92,101	\$88,284	(.2)	4.1	
Lease financing	5,532	5,457	5,455	1.4	1.4	
Total commercial	97,465	97,558	93,739	(.1)	4.0	
Commercial mortgages	29,176	29,543	31,461	(1.2)	(7.3)	
Construction and development	11,190	11,466	11,697	(2.4)	(4.3)	
Total commercial real estate	40,366	41,009	43,158	(1.6)	(6.5)	

Residential mortgages	60,174	59,639	57,900	.9	3.9
Credit card	21,284	21,218	20,845	.3	2.1
Retail leasing	7,982	7,982	6,469	--	23.4
Home equity and second mortgages	16,195	16,299	16,259	(.6)	(.4)
Other	32,874	32,856	31,056	.1	5.9
Total other retail	57,051	57,137	53,784	(.2)	6.1
Total loans, excluding covered loans	276,340	276,561	269,426	(.1)	2.6
Covered loans	3,048	3,190	3,732	(4.5)	(18.3)
Total loans	\$279,388	\$279,751	\$273,158	(.1)	2.3

Average total loans were \$6.2 billion (2.3 percent) higher than the first quarter of 2017. The increase was due to growth in total commercial loans (4.0 percent), residential mortgages (3.9 percent), retail leasing (23.4 percent) and other retail loans (5.9 percent). These increases were muted somewhat by a decrease in total commercial real estate loans (6.5 percent) due to disciplined underwriting and customers paying down balances. Loan growth was also muted by continued run-off of the covered loans portfolio (18.3 percent). Average total loans were \$363 million (0.1 percent) lower than the fourth quarter of 2017. This decrease reflects continued pay-offs of commercial real estate loans (1.6 percent) and the run-off of covered loans (4.5 percent), offset by growth in residential mortgages (0.9 percent). At the end of the first quarter, approximately \$1.5 billion of student loans were transferred from the loan portfolio to loans held for sale.

AVERAGE DEPOSITS

(\$ in millions)

	1Q 2018	4Q 2017	1Q 2017	Percent Change	
				1Q18 vs 4Q17	1Q18 vs 1Q17
Noninterest-bearing deposits	\$79,482	\$82,303	\$80,738	(3.4)	(1.6)
Interest-bearing savings deposits					
Interest checking	70,358	70,717	65,681	(.5)	7.1
Money market savings	103,367	105,348	108,759	(1.9)	(5.0)
Savings accounts	44,388	43,772	42,609	1.4	4.2
Total savings deposits	218,113	219,837	217,049	(.8)	.5
Time deposits	36,985	37,022	30,646	(.1)	20.7
Total interest-bearing deposits	255,098	256,859	247,695	(.7)	3.0
Total deposits	\$334,580	\$339,162	\$328,433	(1.4)	1.9

Average total deposits for the first quarter of 2018 were \$6.1 billion (1.9 percent) higher than the first quarter of 2017. Average noninterest-bearing deposits decreased \$1.3 billion (1.6 percent) year-over-year primarily due to a decrease in Corporate and Commercial Banking, partially offset by increases in Consumer and Business Banking and Wealth Management and Investment Services. Average total savings deposits were \$1.1 billion (0.5 percent) higher year-over-year driven by growth in Consumer and Business Banking, partially offset by a decrease in Corporate and Commercial Banking. Average time deposits were \$6.3 billion (20.7 percent) higher than the prior year quarter. Changes in time deposits are largely related to those deposits managed as an alternative to other funding sources such as wholesale borrowing, based largely on relative pricing and liquidity characteristics.

Average total deposits decreased \$4.6 billion (1.4 percent) from the fourth quarter of 2017. On a linked quarter basis, average noninterest-bearing deposits decreased \$2.8 billion (3.4 percent) across all business lines primarily due to seasonality. This compares with a decline in noninterest-bearing deposits of \$4.2 billion (4.9 percent) in the first quarter of 2017 compared with the fourth quarter of 2016. Average total savings deposits decreased \$1.7 billion (0.8 percent) reflecting a decline in Wealth Management and Investment Services of \$2.1 billion and Corporate and Commercial Banking of \$1.3 billion, partially offset by growth in average savings balances within Consumer and Business Banking. The change in Corporate and Commercial Banking balances primarily reflects seasonality, while the decline in Wealth Management and Investment Services is the result of seasonally lower trust balances, timing of escrowed balances, deployment of cash balances by investment managers and the impact of rising interest rates. Average time deposits, which are managed based on funding needs, relative pricing and liquidity characteristics, were flat on a linked quarter basis.

NONINTEREST INCOME

(\$ in millions)

	1Q 2018	4Q 2017	1Q 2017	Percent Change	
				1Q18 vs 4Q17	1Q18 vs 1Q17

Credit and debit card revenue	\$324	\$342	\$299	(5.3)	8.4
Corporate payment products revenue	154	148	137	4.1	12.4
Merchant processing services	363	374	354	(2.9)	2.5
ATM processing services	79	80	71	(1.3)	11.3
Trust and investment management fees	398	394	368	1.0	8.2
Deposit service charges	182	194	172	(6.2)	5.8
Treasury management fees	150	152	153	(1.3)	(2.0)
Commercial products revenue	220	224	247	(1.8)	(10.9)
Mortgage banking revenue	184	202	207	(8.9)	(11.1)
Investment products fees	46	45	42	2.2	9.5
Securities gains (losses), net	5	10	29	(50.0)	(82.8)
Other	167	205	180	(18.5)	(7.2)
Total noninterest income	\$2,272	\$2,370	\$2,259	(4.1)	.6

First quarter noninterest income of \$2,272 million was \$13 million (0.6 percent) higher than the first quarter of 2017 reflecting strong growth in payment services revenue, trust and investment management fees, and deposit service charges, partially offset by lower commercial products revenue and mortgage banking revenue reflecting industry trends in these revenue categories. Payment services revenue increased 6.5 percent due to stronger credit and debit card revenue of \$25 million (8.4 percent) and an increase in corporate payment products revenue of \$17 million (12.4 percent), and improving merchant processing revenue due to higher sales volumes. Trust and investment management fees increased \$30 million (8.2 percent) due to business growth, net asset inflows and favorable market conditions. Deposit service charges increased \$10 million (5.8 percent) primarily due to higher transaction volumes and account growth. These increases were partially offset by a decrease in commercial products revenue of \$27 million (10.9 percent) mainly due to lower corporate bond underwriting fees and syndication fees. Mortgage banking revenue decreased \$23 million (11.1 percent) primarily due to lower margin on mortgage loan sales.

Noninterest income was \$98 million (4.1 percent) lower in the first quarter of 2018 compared with the fourth quarter of 2017 reflecting seasonally lower payment services revenue, mortgage banking revenue and deposit service charges. In addition, other revenue decreased \$38 million (18.5 percent) primarily due to lower equity investment income. Payment services revenue decreased principally due to seasonally lower sales volume after the holidays. Credit and debit card revenue declined \$18 million (5.3 percent) while merchant processing services revenue declined \$11 million (2.9 percent). Corporate payments products revenue increased from the fourth quarter by 4.1 percent reflecting stronger corporate and government spending. Mortgage banking revenue decreased \$18 million (8.9 percent) primarily due to lower margin on mortgage loan sales, partially offset by the valuation of mortgage servicing rights, net of hedging activities. Deposit service charges decreased \$12 million (6.2 percent) due to seasonally lower transaction volumes.

NONINTEREST EXPENSE

(\$ in millions)

	1Q 2018	4Q 2017	1Q 2017	Percent Change	
				1Q18 vs 4Q17	1Q18 vs 1Q17
Compensation	\$1,523	\$1,499	\$1,391	1.6	9.5
Employee benefits	330	291	301	13.4	9.6
Net occupancy and equipment	265	259	247	2.3	7.3
Professional services	83	114	96	(27.2)	(13.5)
Marketing and business development	97	251	90	(61.4)	7.8
Technology and communications	235	236	217	(.4)	8.3
Postage, printing and supplies	80	79	81	1.3	(1.2)
Other intangibles	39	44	44	(11.4)	(11.4)
Other	403	1,126	442	(64.2)	(8.8)
Total noninterest expense	\$3,055	\$3,899	\$2,909	(21.6)	5.0

First quarter noninterest expense of \$3,055 million was \$146 million (5.0 percent) higher than the first quarter of 2017 primarily due to higher personnel expense, occupancy costs, technology investment and seasonal marketing and development expenses, partially offset by lower professional services expense and other noninterest expense. Compensation expense increased \$132 million (9.5 percent) principally due to the impact of hiring to support business growth and compliance programs, merit increases, and higher variable compensation related to business production, and the impact of changes in vesting provisions related to stock-based compensation programs. Excluding the impact of the change in vesting provisions, compensation would have increased 6.9 percent from a year ago. Employee benefits expense increased \$29 million (9.6 percent) primarily driven by increased medical costs and staffing. Other noninterest expense decreased \$39 million (8.8 percent) due to lower mortgage servicing-related costs and lower pension-related costs as a result of contributions to the plans in 2017. Professional services expense decreased \$13 million (13.5 percent) primarily due to fewer consulting services as compliance programs near maturity.

Noninterest expense decreased \$844 million (21.6 percent) on a linked quarter basis primarily due to notable items recognized in the fourth quarter of 2017. Excluding the notable items, noninterest expense was \$19 million (0.6 percent) lower in the first quarter of 2018 compared with the fourth quarter of 2017 primarily due to seasonally lower costs related to investments in tax-advantaged projects and professional services expense, partially offset by higher personnel expense. Compensation expense increased \$82 million (5.7 percent) reflecting the impact of variable compensation including the timing of stock-based compensation grants due to the vesting change, and merit increases, as well as a seasonal increase in employee benefits expense of \$48 million (17.0 percent) primarily driven by seasonally higher payroll taxes.

Provision for Income Taxes

The provision for income taxes for the first quarter of 2018 resulted in a tax rate of 18.9 percent on a taxable-equivalent basis (effective tax rate of 17.7 percent), compared with 27.0 percent (effective tax rate of 25.1 percent) in the first quarter of 2017, and a tax benefit of 23.6 percent on a taxable-equivalent basis (effective tax benefit of 28.6 percent) in the fourth quarter of 2017. The first quarter of 2018 tax rate reflected the tax reform legislation enacted during the fourth quarter of 2017, favorable settlement of tax matters, and the tax benefit of restricted stock vesting and option exercises.

ALLOWANCE FOR CREDIT LOSSES

(\$ in millions)	1Q 2018	% (b)	4Q 2017	% (b)	3Q 2017	% (b)	2Q 2017	% (b)	1Q 2017	% (b)
Balance, beginning of period	\$4,417		\$4,407		\$4,377		\$4,366		\$4,357	
Net charge-offs										
Commercial	56	.25	22	.09	79	.34	75	.33	71	.33
Lease financing	4	.29	6	.44	4	.29	3	.22	4	.30
Total commercial	60	.25	28	.11	83	.34	78	.33	75	.32
Commercial mortgages	(4)	(.06)	18	.24	(2)	(.03)	(7)	(.09)	(1)	(.01)
Construction and development	1	.04	--	--	(5)	(.17)	(2)	(.07)	(1)	(.03)
Total commercial real estate	(3)	(.03)	18	.17	(7)	(.07)	(9)	(.08)	(2)	(.02)
Residential mortgages	7	.05	10	.07	7	.05	8	.05	12	.08
Credit card	211	4.02	205	3.83	187	3.55	204	3.97	190	3.70
Retail leasing	3	.15	3	.15	2	.10	2	.11	3	.19
Home equity and second mortgages	(1)	(.03)	(2)	(.05)	(1)	(.02)	(1)	(.02)	(1)	(.02)
Other	64	.79	63	.76	59	.73	58	.75	58	.76
Total other retail	66	.47	64	.44	60	.42	59	.43	60	.45
Total net charge-offs, excluding covered loans	341	.50	325	.47	330	.48	340	.50	335	.50
Covered loans	--	--	--	--	--	--	--	--	--	--
Total net charge-offs	341	.49	325	.46	330	.47	340	.49	335	.50
Provision for credit losses	341		335		360		350		345	
Other changes (a)	--		--		--		1		(1)	
Balance, end of period	\$4,417		\$4,417		\$4,407		\$4,377		\$4,366	
Components										
Allowance for loan losses	\$3,918		\$3,925		\$3,908		\$3,856		\$3,816	
Liability for unfunded credit commitments	499		492		499		521		550	
Total allowance for credit losses	\$4,417		\$4,417		\$4,407		\$4,377		\$4,366	
Gross charge-offs	\$453		\$464		\$433		\$437		\$417	
Gross recoveries	\$112		\$139		\$103		\$97		\$82	
Allowance for credit losses as a percentage of										
Period-end loans, excluding covered loans	1.60		1.58		1.59		1.59		1.61	
Nonperforming loans, excluding covered loans	431		438		425		385		338	

Nonperforming assets, excluding covered assets	373	374	359	331	296
Period-end loans	1.59	1.58	1.58	1.58	1.60
Nonperforming loans	431	438	426	383	338
Nonperforming assets	367	368	352	324	292

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

(b) Annualized and calculated on average loan balances

The Company's provision for credit losses for the first quarter of 2018 was \$341 million, which was \$6 million (1.8 percent) higher than the prior quarter and \$4 million (1.2 percent) lower than the first quarter of 2017. Credit quality was relatively stable compared with the fourth quarter of 2017.

Total net charge-offs in the first quarter of 2018 were \$341 million, compared with \$325 million in the fourth quarter of 2017, and \$335 million in the first quarter of 2017. Net charge-offs increased \$16 million (4.9 percent) compared with the fourth quarter of 2017 mainly due to higher total commercial loan net charge-offs driven by lower recoveries, partially offset by lower total commercial real estate net charge-offs. Net charge-offs increased \$6 million (1.8 percent) compared with the first quarter of 2017 primarily due to higher credit card loan net charge-offs, partially offset by lower total commercial loan net charge-offs driven by higher recoveries. The net charge-off ratio was 0.49 percent in the first quarter of 2018, compared with 0.46 percent in the fourth quarter of 2017 and 0.50 percent in the first quarter of 2017.

The allowance for credit losses was \$4,417 million at March 31, 2018, and at December 31, 2017, compared with \$4,366 million at March 31, 2017. The ratio of the allowance for credit losses to period-end loans was 1.59 percent at March 31, 2018, compared with 1.58 percent at December 31, 2017, and 1.60 percent at March 31, 2017. The ratio of the allowance for credit losses to nonperforming loans was 431 percent at March 31, 2018, compared with 438 percent at December 31, 2017, and 338 percent at March 31, 2017.

Nonperforming assets were \$1,204 million at March 31, 2018, compared with \$1,200 million at December 31, 2017, and \$1,495 million at March 31, 2017. The ratio of nonperforming assets to loans and other real estate was 0.43 percent at March 31, 2018, and at December 31, 2017, compared with 0.55 percent at March 31, 2017. The year-over-year decrease in nonperforming assets was driven by improvements in nonperforming total commercial loans, residential mortgages and other real estate owned, partially offset by increases in nonperforming other retail loans and total commercial real estate loans. Accruing loans 90 days or more past due were \$702 million (\$566 million excluding covered loans) at March 31, 2018, compared with \$720 million (\$572 million excluding covered loans) at December 31, 2017, and \$718 million (\$524 million excluding covered loans) at March 31, 2017.

DELINQUENT LOAN RATIOS AS A PERCENT OF ENDING LOAN BALANCES

(Percent)

	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017
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Delinquent loan ratios - 90 days or more past due **excluding** nonperforming loans

Commercial	.06	.06	.05	.05	.06
Commercial real estate	.01	.01	.01	--	.01
Residential mortgages	.22	.22	.18	.20	.24
Credit card	1.29	1.28	1.20	1.10	1.23
Other retail	.18	.17	.15	.14	.14
Total loans, excluding covered loans	.21	.21	.18	.17	.19
Covered loans	4.57	4.74	4.66	4.71	5.34
Total loans	.25	.26	.23	.23	.26

Delinquent loan ratios - 90 days or more past due **including** nonperforming loans

Commercial	.37	.31	.33	.39	.52
Commercial real estate	.31	.37	.30	.29	.27
Residential mortgages	.93	.96	.98	1.10	1.23
Credit card	1.29	1.28	1.20	1.10	1.24
Other retail	.48	.46	.43	.42	.43
Total loans, excluding covered loans	.58	.57	.55	.59	.67
Covered loans	4.77	4.93	4.84	5.06	5.53
Total loans	.62	.62	.60	.64	.73

ASSET QUALITY (a)

(\$ in millions)

	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017
Nonperforming loans					
Commercial	\$274	\$225	\$231	\$283	\$397
Lease financing	27	24	38	39	42
Total commercial	301	249	269	322	439
Commercial mortgages	86	108	89	84	74
Construction and development	33	34	33	35	36
Total commercial real estate	119	142	122	119	110
Residential mortgages	430	442	474	530	575
Credit card	--	1	1	1	2
Other retail	168	168	163	158	157
Total nonperforming loans, excluding covered loans	1,018	1,002	1,029	1,130	1,283
Covered loans	6	6	6	12	7
Total nonperforming loans	1,024	1,008	1,035	1,142	1,290
Other real estate	124	141	164	157	155
Covered other real estate	20	21	26	25	22
Other nonperforming assets	36	30	26	25	28
Total nonperforming assets	\$1,204	\$1,200	\$1,251	\$1,349	\$1,495
Total nonperforming assets, excluding covered assets	\$1,178	\$1,173	\$1,219	\$1,312	\$1,466
Accruing loans 90 days or more past due, excluding covered loans	\$566	\$572	\$497	\$477	\$524
Accruing loans 90 days or more past due	\$702	\$720	\$649	\$639	\$718
Performing restructured loans, excluding GNMA and covered loans	\$2,190	\$2,306	\$2,419	\$2,473	\$2,478
Performing restructured GNMA and covered loans	\$1,598	\$1,713	\$1,600	\$1,803	\$1,746
Nonperforming assets to loans plus ORE, excluding covered assets (%)	.43	.42	.44	.48	.54
Nonperforming assets to loans plus ORE (%)	.43	.43	.45	.49	.55

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

COMMON SHARES

(Millions)

	1Q 2018	4Q 2017	3Q 2017	2Q 2017	1Q 2017
Beginning shares outstanding	1,656	1,667	1,679	1,692	1,697
Shares issued for stock incentive plans, acquisitions and other corporate purposes	4	1	--	1	6
Shares repurchased	(11)	(12)	(12)	(14)	(11)
Ending shares outstanding	1,649	1,656	1,667	1,679	1,692

CAPITAL POSITION

(\$ in millions)	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	
Total U.S. Bancorp shareholders' equity	\$49,187	\$49,040	\$48,723	\$48,320	\$47,798	
Basel III Standardized Approach (a)						
Common equity tier 1 capital	\$33,539	\$34,369	\$34,876	\$34,408	\$33,847	
Tier 1 capital	38,991	39,806	40,411	39,943	39,374	
Total risk-based capital	46,640	47,503	48,104	47,824	47,279	
Fully implemented common equity tier 1 capital ratio (a)	9.0	% 9.1	% (b) 9.4	% (b) 9.3	% (b) 9.2	% (b)
Tier 1 capital ratio	10.4	10.8	11.1	11.1	11.0	
Total risk-based capital ratio	12.5	12.9	13.2	13.2	13.3	
Leverage ratio	8.8	8.9	9.1	9.1	9.1	
Basel III Advanced Approaches (a)						
Fully implemented common equity tier 1 capital ratio (a)	11.5	11.6	(b) 11.8	(b) 11.7	(b) 11.5	(b)
Tangible common equity to tangible assets (b)	7.7	7.6	7.7	7.5	7.6	
Tangible common equity to risk-weighted assets (b)	9.3	9.4	9.5	9.4	9.4	
Common equity tier 1 capital ratio calculated under the transitional standardized approach (a)	--	9.3	9.6	9.5	9.5	
Common equity tier 1 capital ratio calculated under the transitional advanced approaches (a)	--	12.0	12.1	12.0	11.8	

(a) Beginning January 1, 2018, the regulatory capital requirements fully reflect implementation of Basel III. Prior to 2018, the Company's capital ratios reflected certain transitional adjustments. Basel III includes two comprehensive methodologies for calculating risk-weighted assets: a general standardized approach and more risk-sensitive advanced approaches, with the Company's capital adequacy being evaluated against the methodology that is most restrictive.

(b) See Non-GAAP Financial Measures reconciliation on page 16

Total U.S. Bancorp shareholders' equity was \$49.2 billion at March 31, 2018, compared with \$49.0 billion at December 31, 2017, and \$47.8 billion at March 31, 2017. During the first quarter, the Company returned 68 percent of earnings to shareholders through dividends and share buybacks.

All regulatory ratios continue to be in excess of "well-capitalized" requirements. The common equity tier 1 capital to risk-weighted assets ratio using the Basel III standardized approach was 9.0 percent at March 31, 2018, compared with 9.3 percent at December 31, 2017, and 9.5 percent at March 31, 2017. The common equity tier 1 capital to risk-weighted assets ratio using the Basel III advanced approaches method was 11.5 percent at March 31, 2018, compared with 12.0 percent at December 31, 2017, and 11.8 percent at March 31, 2017.

Investor Conference Call

On Wednesday, April 18, 2018, at 8:00 a.m. CDT, Andy Cecere, Chairman, President and Chief Executive Officer, and Terry Dolan, Vice Chairman and Chief Financial Officer, will host a conference call to review the financial results. The conference call will be available online or by telephone. To access the webcast and presentation, visit U.S. Bancorp's website at usbank.com and click on "About US", "Investor Relations" and "Webcasts & Presentations." To access the conference call from locations within the United States and Canada, please dial 866-316-1409. Participants calling from outside the United States and Canada, please dial 706-634-9086. The conference ID number for all participants is 8771339. For those unable to participate during the live call, a recording will be available at approximately 11:00 a.m. CDT on Wednesday, April 18 and will be accessible until Wednesday, April 25 at 11:00 p.m. CDT. To access the recorded message within the United States and Canada, please dial 855-859-2056. If calling from outside the United States and Canada, please dial 404-537-3406 to access the recording. The conference ID is 8771339.

About U.S. Bancorp

Minneapolis-based U.S. Bancorp (NYSE: USB), with \$460 billion in assets as of March 31, 2018, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,054 banking offices in 25 states and 4,729 ATMs and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.

Forward-looking Statements

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995:

This press release contains forward-looking statements about U.S. Bancorp. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements and are based on the information available to, and assumptions and estimates made by, management as of the date hereof. These forward-looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of U.S. Bancorp. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated. A reversal or slowing of the current economic recovery or another severe contraction could adversely affect U.S. Bancorp's revenues and the values of its assets and liabilities. Global financial markets could experience a recurrence of significant turbulence, which could reduce the availability of funding to certain financial institutions and lead to a tightening of credit, a reduction of business activity, and increased market volatility. Stress in the commercial real estate markets, as well as a downturn in the residential real estate markets could cause credit losses and deterioration in asset values. In addition, changes to statutes, regulations, or regulatory policies or practices could affect U.S. Bancorp in substantial and unpredictable ways. U.S. Bancorp's results could also be adversely affected by deterioration in general business and economic conditions; changes in interest rates; deterioration in the credit quality of its loan portfolios or in the value of the collateral securing those loans; deterioration in the value of its investment securities; legal and regulatory developments; litigation; increased competition from both banks and non-banks; changes in customer behavior and preferences; breaches in data security; effects of mergers and acquisitions and related integration; effects of critical accounting policies and judgments; and management's ability to effectively manage credit risk, market risk, operational risk, compliance risk, strategic risk, interest rate risk, liquidity risk and reputational risk.

For discussion of these and other risks that could 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, 2017, on file with the Securities and Exchange Commission, including the sections entitled "Corporate Risk Profile" and "Risk Factors" contained in Exhibit 13, and all subsequent filings with the Securities and Exchange Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934. However, factors other than these also could adversely affect U.S. Bancorp's results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. Forward-looking statements speak only as of the date hereof, and U.S. Bancorp undertakes no obligation to update them in light of new information or future events.

Non-GAAP Financial Measures

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

- Tangible common equity to tangible assets
- Tangible common equity to risk-weighted assets
- Return on tangible common equity

These capital measures are viewed by management as useful additional methods of evaluating the Company's utilization of its capital held and the level of capital available to withstand unexpected negative market or economic conditions. Additionally, presentation of these measures allows investors, analysts and banking regulators to assess the Company's capital position relative to other financial services companies. These capital measures are not defined in generally accepted accounting principles ("GAAP") or are not defined in federal banking regulations. As a result, these capital measures disclosed by the Company may be considered non-GAAP financial measures. In addition, certain capital measures related to prior periods are presented on the same basis as those in the current period. The effective capital ratios defined by banking regulations for these periods were subject to certain transitional provisions. Management believes this information helps investors assess trends in the Company's capital adequacy.

The Company also discloses net interest income and related ratios and analysis on a taxable-equivalent basis, which may also be considered non-GAAP financial measures. The Company believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison of net interest income arising from taxable and tax-exempt sources. In addition, certain performance measures, including the efficiency ratio and net interest margin utilize net interest income on a taxable-equivalent basis.

There may be limits in the usefulness of these measures to investors. As a result, the Company encourages readers to consider the consolidated financial statements and other financial information contained in this press release in their entirety, and not to rely on any single financial measure. A table follows that shows the Company's calculation of these non-GAAP financial measures.

CONSOLIDATED STATEMENT OF INCOME

(Dollars and Shares in Millions, Except Per Share Data)	Three Months Ended	
	March 31,	
(Unaudited)	2018	2017
Interest Income		
Loans	\$3,095	\$2,790
Loans held for sale	33	35
Investment securities	613	530
Other interest income	50	38
Total interest income	3,791	3,393
Interest Expense		
Deposits	345	199
Short-term borrowings	75	24
Long-term debt	203	190
Total interest expense	623	413
Net interest income	3,168	2,980
Provision for credit losses	341	345

Net interest income after provision for credit losses	2,827	2,635	
Noninterest Income			
Credit and debit card revenue	324	299	
Corporate payment products revenue	154	137	
Merchant processing services	363	354	
ATM processing services	79	71	
Trust and investment management fees	398	368	
Deposit service charges	182	172	
Treasury management fees	150	153	
Commercial products revenue	220	247	
Mortgage banking revenue	184	207	
Investment products fees	46	42	
Securities gains (losses), net	5	29	
Other	167	180	
Total noninterest income	2,272	2,259	
Noninterest Expense			
Compensation	1,523	1,391	
Employee benefits	330	301	
Net occupancy and equipment	265	247	
Professional services	83	96	
Marketing and business development	97	90	
Technology and communications	235	217	
Postage, printing and supplies	80	81	
Other intangibles	39	44	
Other	403	442	
Total noninterest expense	3,055	2,909	
Income before income taxes	2,044	1,985	
Applicable income taxes	362	499	
Net income	1,682	1,486	
Net (income) loss attributable to noncontrolling interests	(7) (13)
Net income attributable to U.S. Bancorp	\$1,675	\$1,473	
Net income applicable to U.S. Bancorp common shareholders	\$1,597	\$1,387	
Earnings per common share	\$.97	\$.82	
Diluted earnings per common share	\$.96	\$.82	
Dividends declared per common share	\$.30	\$.28	
Average common shares outstanding	1,652	1,694	
Average diluted common shares outstanding	1,657	1,701	

CONSOLIDATED ENDING BALANCE SHEET

(Dollars in Millions)	March 31, 2018 (Unaudited)	December 31, 2017	March 31, 2017 (Unaudited)	
Assets				
Cash and due from banks	\$19,246	\$19,505	\$20,319	
Investment securities				
Held-to-maturity	44,612	44,362	43,393	
Available-for-sale	67,125	68,137	67,031	
Loans held for sale	4,777	3,554	2,738	
Loans				
Commercial	98,097	97,561	94,491	
Commercial real estate	40,140	40,463	42,832	
Residential mortgages	60,477	59,783	58,266	
Credit card	20,901	22,180	20,387	
Other retail	55,317	57,324	53,966	
Total loans, excluding covered loans	274,932	277,311	269,942	
Covered loans	2,979	3,121	3,635	
Total loans	277,911	280,432	273,577	
Less allowance for loan losses	(3,918) (3,925) (3,816)
Net loans	273,993	276,507	269,761	
Premises and equipment	2,441	2,432	2,432	

Goodwill	9,440	9,434	9,348
Other intangible assets	3,388	3,228	3,313
Other assets	35,097	34,881	31,187
Total assets	\$460,119	\$462,040	\$449,522

Liabilities and Shareholders' Equity

Deposits			
Noninterest-bearing	\$82,211	\$87,557	\$85,222
Interest-bearing	262,315	259,658	251,651
Total deposits	344,526	347,215	336,873
Short-term borrowings	17,703	16,651	12,183
Long-term debt	33,201	32,259	35,948
Other liabilities	14,877	16,249	16,085
Total liabilities	410,307	412,374	401,089
Shareholders' equity			
Preferred stock	5,419	5,419	5,419
Common stock	21	21	21
Capital surplus	8,438	8,464	8,388
Retained earnings	55,549	54,142	51,069
Less treasury stock	(18,047)	(17,602)	(15,660)
Accumulated other comprehensive income (loss)	(2,193)	(1,404)	(1,439)
Total U.S. Bancorp shareholders' equity	49,187	49,040	47,798
Noncontrolling interests	625	626	635
Total equity	49,812	49,666	48,433
Total liabilities and equity	\$460,119	\$462,040	\$449,522

NON-GAAP FINANCIAL MEASURES

(Dollars in Millions, Unaudited)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total equity	\$49,812	\$49,666	\$49,351	\$48,949	\$48,433
Preferred stock	(5,419)	(5,419)	(5,419)	(5,419)	(5,419)
Noncontrolling interests	(625)	(626)	(628)	(629)	(635)
Goodwill (net of deferred tax liability) (1)	(8,609)	(8,613)	(8,141)	(8,181)	(8,186)
Intangible assets, other than mortgage servicing rights	(608)	(583)	(595)	(634)	(671)
Tangible common equity (a)	34,551	34,425	34,568	34,086	33,522
Total assets	460,119	462,040	459,227	463,844	449,522
Goodwill (net of deferred tax liability) (1)	(8,609)	(8,613)	(8,141)	(8,181)	(8,186)
Intangible assets, other than mortgage servicing rights	(608)	(583)	(595)	(634)	(671)
Tangible assets (b)	450,902	452,844	450,491	455,029	440,665
Risk-weighted assets, determined in accordance with the Basel III standardized approach (c)	373,141 *	367,771	363,957	361,164	356,373
Tangible common equity (as calculated above)		34,425	34,568	34,086	33,522
Adjustments (2)		(550)	(52)	(51)	(136)
Common equity tier 1 capital estimated for the Basel III fully implemented standardized and advanced approaches (d)		33,875	34,516	34,035	33,386
Risk-weighted assets, determined in accordance with prescribed transitional standardized approach regulatory requirements		367,771	363,957	361,164	356,373
Adjustments (3)		4,473	3,907	3,967	4,731
Risk-weighted assets estimated for the Basel III fully implemented standardized approach (e)		372,244	367,864	365,131	361,104

Risk-weighted assets, determined in accordance with prescribed transitional advanced approaches regulatory requirements	287,211	287,800	287,124	285,963
Adjustments (4)	4,769	4,164	4,231	5,046
Risk-weighted assets estimated for the Basel III fully implemented advanced approaches (f)	291,980	291,964	291,355	291,009

Ratios *

Tangible common equity to tangible assets (a)/(b)	7.7	% 7.6	% 7.7	% 7.5	% 7.6	%
Tangible common equity to risk-weighted assets (a)/(c)	9.3	9.4	9.5	9.4	9.4	
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented standardized approach (d)/(e)		9.1	9.4	9.3	9.2	
Common equity tier 1 capital to risk-weighted assets estimated for the Basel III fully implemented advanced approaches (d)/(f)		11.6	11.8	11.7	11.5	

	Three Months Ended					
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	
Net income applicable to U.S. Bancorp common shareholders	\$1,597	\$1,611	\$1,485	\$1,430	\$1,387	
Intangibles amortization (net-of-tax)	31	28	29	28	29	
Net income applicable to U.S. Bancorp common shareholders, excluding intangibles amortization	1,628	1,639	1,514	1,458	1,416	
Annualized net income applicable to U.S. Bancorp common shareholders, excluding intangibles amortization (g)	6,602	6,503	6,007	5,848	5,743	
Average total equity	49,450	49,461	49,447	48,909	48,558	
Less: Average preferred stock	5,419	5,419	5,419	5,419	5,706	
Less: Average noncontrolling interests	625	627	628	636	635	
Less: Average goodwill (net of deferred tax liability) (1)	8,627	8,154	8,153	8,160	8,175	
Less: Average intangible assets, other than mortgage servicing rights	603	591	615	650	691	
Average U.S. Bancorp common shareholders' equity, excluding intangible assets (h)	34,176	34,670	34,632	34,044	33,351	
Return on tangible common equity (g)/(h)	19.3	% 18.8	% 17.3	% 17.2	% 17.2	%

* Preliminary data. Subject to change prior to filings with applicable regulatory agencies.

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

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

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

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

NON-GAAP FINANCIAL MEASURES

(Dollars in Millions, Unaudited)	Three Months Ended				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net interest income	\$3,168	\$3,175	\$3,176	\$3,049	\$2,980
Taxable-equivalent adjustment (1)	29	53	51	51	50
Net interest income, on a taxable-equivalent basis	3,197	3,228	3,227	3,100	3,030

Net interest income, on a taxable-equivalent basis (as calculated above)	3,197	3,228	3,227	3,100	3,030	
Noninterest income	2,272	2,370	2,340	2,348	2,259	
Less: Securities gains (losses), net	5	10	9	9	29	
Total net revenue, excluding net securities gains (losses) (a)	5,464	5,588	5,558	5,439	5,260	
Noninterest expense (b)	3,055	3,899	2,998	2,984	2,909	
Less: Intangible amortization	39	44	44	43	44	
Noninterest expense, excluding intangible amortization (c)	3,016	3,855	2,954	2,941	2,865	
Efficiency ratio (b)/(a)	55.9	% 69.8	% 53.9	% 54.9	% 55.3	%
Tangible efficiency ratio (c)/(a)	55.2	69.0	53.1	54.1	54.5	

(1) Interest and rates are presented on a fully taxable-equivalent basis based on a federal income tax rate of 21 percent for 2018 and 35 percent for 2017.

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