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COMMERCIAL FEDERAL CORP  
Form 10-K405  
April 01, 2002

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the calendar year ended December 31, 2001, or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Commission File Number: 1-11515  
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COMMERCIAL FEDERAL CORPORATION

-----  
(Exact Name of Registrant as Specified in its Charter)

Nebraska 47-0658852

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(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
13220 California Street, Omaha, Nebraska	68154

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(Address of Principal  
Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (402) 554-9200

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, Par Value	
\$.01 Per Share	New York Stock Exchange
-----	-----
(Title of Each Class)	(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

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 (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing sales price of the registrant's common stock as quoted on the New York Stock Exchange on March 21, 2002, was \$1,044,091,891. As of March 21, 2002, there were issued and outstanding 45,245,860 shares of the registrant's common stock.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2002 Annual Meeting of Stockholders--See Part III.

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## COMMERCIAL FEDERAL CORPORATION

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PART I

ITEM 1. BUSINESS

Forward Looking Statements

This document contains certain statements that are not historical fact but are forward-looking statements that involve inherent risks and uncertainties. Management cautions readers that a number of important factors could cause actual results to differ materially from those in the forward looking statements. Factors that might cause a difference include, but are not limited to: fluctuations in interest rates, inflation, the effect of regulatory or government legislative changes, expected cost savings and revenue growth not fully realized, the progress of strategic initiatives and whether realized within expected time frames, general economic conditions, adequacy of allowance for credit losses, costs or difficulties associated with restructuring initiatives, technology changes and competitive pressures in the geographic and business areas where Commercial Federal Corporation conducts its operations. These forward-looking statements are based on management's current expectations. Actual results in future periods may differ materially from those currently expected because of various risks and uncertainties.

General

Commercial Federal Corporation (the "Corporation") was incorporated in the state of Nebraska on August 18, 1983, as a unitary non-diversified savings and loan holding company. The primary purpose of the Corporation was to acquire all of the capital stock of Commercial Federal Bank, a Federal Savings Bank (the "Bank") in connection with the Bank's 1984 conversion from mutual to stock ownership. A secondary purpose was to provide the structure to expand and diversify the Corporation's financial services to activities allowed by regulation to a unitary savings and loan holding company. The general offices of the Corporation are located at 13220 California Street, Omaha, Nebraska 68154.

The primary subsidiary of the Corporation is the Bank. The Bank was originally chartered in 1887 and converted to a federally chartered mutual savings and loan association in 1972. On December 31, 1984, the Bank completed its conversion from mutual to stock ownership and became a wholly-owned subsidiary of the Corporation. Effective August 27, 1990, the Bank's federal charter was amended from a savings and loan to a federal savings bank.

The assets of the Corporation, on an unconsolidated basis, substantially consist of 100% of the Bank's common stock. The Corporation has no significant independent source of income, and therefore depends almost exclusively on dividends from the Bank to meet its funding requirements. During the calendar year ended December 31, 2001, the Corporation incurred interest expense on its \$21.7 million of subordinated extendible notes, \$46.4 million of junior subordinated deferrable interest debentures and \$64.4 million on an unsecured

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term note and revolving line of credit. Interest is payable monthly on the subordinated extendible notes and quarterly on the junior subordinated deferrable interest debentures, the unsecured term note and the line of credit. For additional information on the debt of the Corporation see Note 13 to the Consolidated Financial Statements that are filed under Item 8 of this Form 10-K Annual Report for the year ended December 31, 2001 (the "Report").

The Corporation began repurchasing its common stock in April 1999. For the year ended December 31, 2001, the Corporation purchased and cancelled 7,662,600 shares of its common stock at a cost of \$180.9 million. Since the first repurchase was announced in April 1999, the Corporation purchased and canceled 15,701,500 shares of its common stock at a cost of \$329.9 million. The Corporation's 7.95% fixed-rate subordinated extendible notes totaling \$50.0 million were redeemable by the note holders on December 1, 2001. A total of \$28.3 million was redeemed, leaving an outstanding balance of \$21.7 million at December 31, 2001. The Corporation also pays operating expenses primarily for shareholder and stock related expenditures such as the

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annual report, proxy, corporate filing fees and assessments and certain costs directly attributable to the holding company. In addition, common stock cash dividends totaling \$15.2 million, or \$.31 per common share, were declared during the year ended December 31, 2001.

The Bank pays dividends to the Corporation on a periodic basis primarily to cover the amount of the principal and interest payments on the Corporation's debt, to fund the Corporation's common stock repurchases and to repay the Corporation for the common stock cash dividends paid to the Corporation's shareholders. During the year ended December 31, 2001, the Corporation received cash dividends totaling \$216.0 million from the Bank. See "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") -- Liquidity and Capital Resources" under Item 7 of this Report for additional information.

The Bank operates as a federally chartered savings institution with deposits insured by the Savings Association Insurance Fund ("SAIF") and the Bank Insurance Fund ("BIF") both administered by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is a community banking institution offering commercial and consumer banking, mortgage banking and investment services. All loan origination activities are conducted through the Bank's branch office network, through the loan offices of Commercial Federal Mortgage Corporation ("CFMC"), its wholly-owned mortgage banking subsidiary, and through a nationwide correspondent network of mortgage loan originators. The Bank also provides insurance and securities brokerage and other retail financial services.

Through December 31, 2001, the Corporation has identified two distinct lines of business operations for the purposes of management reporting: Community Banking and Mortgage Banking. The Community Banking segment involves a variety of traditional banking and financial services. The Mortgage Banking segment involves the origination and purchase of residential mortgage loans, the sale of these mortgage loans in the secondary mortgage market, the servicing of mortgage loans and the purchase and origination of rights to service mortgage loans. Beginning in 2002, the lines of business operations are designated as Retail Banking, Commercial Banking, Mortgage Banking and Treasury Operations.

At December 31, 2001, the Corporation had assets of \$12.9 billion and stockholders' equity of \$734.7 million, and operated 196 branches located in Colorado (44), Iowa (42), Nebraska (41), Kansas (26), Oklahoma (19), Missouri (14), Arizona (6) and Minnesota (4). The four branches in Minnesota are

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anticipated to be sold by June 30, 2002. The Bank is one of the largest retail financial institutions in the Midwest and, based upon total assets at December 31, 2001, the Corporation was the 8th largest publicly-held thrift institution holding company in the United States. In addition, CFMC serviced a loan portfolio totaling \$13.5 billion at December 31, 2001, with approximately \$9.5 billion in loans serviced for third parties and \$4.0 billion in loans serviced for the Bank. See "MD&A--General" under Item 7 of this Report.

The operations of the Corporation are significantly influenced by general economic conditions, by inflation and changing prices, by the related monetary, fiscal and regulatory policies of the federal government and by the policies of financial institution regulatory authorities, including the Office of Thrift Supervision ("OTS"), the Board of Governors of the Federal Reserve System and the FDIC. Deposit flows and costs of funds are influenced by interest rates on competing investments and general market rates of interest. Lending activities are affected by the demand for mortgage and commercial financing, consumer loans and other types of loans, which, in turn, are affected by the interest rates at which such financings may be offered, the availability of funds, and other factors, such as the supply of housing for mortgage loans and regional economic situations.

The Bank is a member of the Federal Home Loan Bank ("FHLB") of Topeka, which is one of the 12 regional banks comprising the FHLB System. The Bank is further subject to regulations of the Federal Reserve Board, which governs reserves required to be maintained against deposits and certain other matters. As a federally chartered savings bank, the Bank is subject to numerous restrictions on operations and investments imposed by applicable statutes and regulations. See "Regulation."

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### Corporate Highlights

#### Key Strategic Initiatives

Beginning in the six-month transition period ended December 31, 2000, management implemented a number of key strategic initiatives designed to improve the Corporation's financial performance. These changes continued into 2001, focusing not only on revenue enhancement and cost reduction, and but also on an executive management restructuring aimed at designing and implementing changes to build the Corporation's commercial banking business and enhancing shareholder value. These key initiatives included:

- . A complete balance sheet review including the disposition of low-yielding and higher risk investments and residential mortgage loans with proceeds from this disposition expected to be used to reduce high-cost borrowings, to repurchase additional shares of the Corporation's common stock and the remainder reinvested in lower risk securities with a predictable income stream.
- . A thorough assessment of the Bank's delivery and servicing systems.
- . The sale of the leasing company.
- . Acceleration of the disposition of other real estate owned.
- . A management restructuring to further streamline the organization and improve efficiencies as well as the appointment of a new chief operating officer.

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- . A program to further strengthen the commercial lending portfolio.
- . A change in the Corporation's year end from June 30 to December 31.
- . An expansion of the Corporation's common stock repurchase program.

The balance sheet restructuring was completed during the six months ended December 31, 2000. The remainder of these initiatives were completed in 2001. These actions transitioned the Corporation into 2001 with improved operating margins, a more compact and stable balance sheet to generate future growth under all types of operating environments, improved operating efficiencies and a stronger management team. Net income for 2001 includes \$15.6 million (\$10.1 million after-tax, or \$.20 per diluted share) in net gains relating to the completion of the August 2000 initiatives. These net gains are primarily the result of the Corporation realizing pre-tax gains on the sales of 34 branches sold during 2001 partially offset by severance costs and expenses associated with right-sizing branch personnel, expenses to close branches and expenses to exit leasing operations. During the six months ended December 31, 2000, implementation of these initiatives resulted in losses and expenses totaling approximately \$112.2 million, or \$77.1 million after-tax (\$1.41 per diluted share). See "MD&A--Key Strategic Initiatives" under Item 7 of this Report for additional information.

### Common Stock Repurchases

During the year ended December 31, 2001, the Corporation continued to repurchase its common stock. On May 7, 2001, the Board of Directors authorized a fourth repurchase of 5,000,000 shares of the Corporation's outstanding common stock to be completed no later than December 31, 2002. For the twelve months ended December 31, 2001, the Corporation purchased 7,662,600 shares of its common stock at a cost of \$180.9 million.

### Supervisory Goodwill Lawsuit

On September 12, 1994, the Bank and the Corporation commenced litigation against the United States in the United States Court of Federal Claims seeking to recover monetary relief for the government's refusal to honor certain contracts that it had entered into with the Bank. The suit alleges that such governmental action constitutes a breach of contract and an unlawful taking of property by the United States without just compensation or due process in violation of the Constitution of the United States. The Corporation and the Bank are pursuing alternative damage claims of up to approximately \$230 million. The Bank also assumed a lawsuit in the merger with Mid Continent Bancshares, Inc., ("Mid Continent"), a fiscal year 1998 acquisition, against the United States

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also relating to a supervisory goodwill claim filed by the former company. The litigation status and process of these legal actions, as well as that of numerous actions brought by others alleging similar claims with respect to supervisory goodwill and regulatory capital credits, make the value of the claims asserted by the Bank (including the Mid Continent claim) uncertain as to their ultimate outcome, and contingent on a number of factors and future events which are beyond the control of the Bank, both as to substance, timing and the dollar amount of damages that may be awarded to the Bank and the Corporation if they finally prevail in this litigation.

### Regulatory Capital Compliance

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The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial position and results of operations. The regulations require the Bank to meet specific capital adequacy guidelines. Prompt corrective action provisions contained in the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") require specific capital ratios to be considered well-capitalized. At December 31, 2001, the Bank exceeded the minimum requirements for the well-capitalized category. As of December 31, 2001, the most recent notification from the OTS categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action provisions under FDICIA. There are no conditions or events since such notification that management believes have changed the Bank's classification. See "Regulation -- Regulatory Capital Requirements" and Note 17 to the Consolidated Financial Statements under Item 8 of this Report.

### Other Information

Additional information concerning the general business of the Corporation during the year ended December 31, 2001, is included in the following sections of this Report and under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and under Item 8 "Notes to the Consolidated Financial Statements" of this Report. Additional information concerning the Bank's regulatory capital requirements and other regulations which affect the Corporation is included in the "Regulation" section of this Report.

### Lending Activities

#### General

The Corporation's lending activities focus on the origination of first mortgage loans for the purpose of financing or refinancing single-family residential properties, single-family residential construction loans, commercial real estate loans, consumer and home improvement loans. Commercial real estate loans and consumer loans have been emphasized during the year ended December 31, 2001. The origination activity of these loans has increased substantially over previous years. Management plans to continue to expand the Corporation's commercial lending activity in 2002 and beyond. Residential loan origination activity, including activity through correspondents, increased significantly in calendar year 2001 due to the low interest rate environment generating new residential loan volumes as well as a large volume of loan refinancing activity compared to prior years. See "Loan Activity."

The functions of processing and servicing real estate loans, including responsibility for servicing the Corporation's loan portfolio, is conducted by CFMC, the Bank's wholly-owned mortgage banking subsidiary. The Corporation conducts loan origination activities primarily through its branch office network to help increase the volume of single-family residential loan originations and take advantage of its extensive branch network. The Corporation's mortgage banking subsidiary has continued and will continue to originate real estate loans through the Corporation's branches, loan offices of CFMC and through its nationwide correspondent network.

At December 31, 2001, the Corporation's total loan and mortgage-backed securities portfolio was \$10.2 billion, representing 79.3% of its \$12.9 billion of total assets. Mortgage-backed securities totaled \$1.8 billion at December

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31, 2001, representing 17.9% of the Corporation's total loan and mortgage-backed securities portfolio. The Corporation's total loan and mortgage-backed securities portfolio was secured primarily by real estate at December 31, 2001.

Commercial real estate and land loans (collectively referred to as "income property loans") are secured by various types of commercial properties including office buildings, shopping centers, warehouses and other income producing properties. Commercial lending increased during 2001 and is expected to significantly expand for the Corporation in the future. The Corporation's single-family residential construction lending activity is primarily attributable to operations in Las Vegas, Nevada and in its primary market areas. Multi-family residential loans consist of loans secured by various types of properties, including townhomes, condominiums and apartment projects with more than four dwelling units.

The Corporation's primary area of loan production is the origination of loans secured by existing single-family residences. Adjustable-rate single-family residential loans are originated primarily for retention in the Corporation's loan portfolio to match more closely the repricing of the Corporation's interest-bearing liabilities as a result of changes in interest rates. Fixed-rate single-family residential loans are originated using underwriting guidelines, appraisals and documentation which are acceptable to the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA") to facilitate the sale of such loans to such agencies in the secondary market. The Corporation also originates fixed-rate single-family residential loans using internal lending policies in accordance with what management believes are prudent underwriting standards but which may not strictly adhere to FHLMC, GNMA and FNMA guidelines. Fixed-rate single-family residential loans are originated or purchased for the Corporation's loan portfolio if such loans have characteristics which are consistent with the Corporation's asset and liability goals and long-term interest rate yield requirements. At December 31, 2001, fixed-rate single-family residential loans increased to \$2.5 billion compared to \$2.3 billion at December 31, 2000. This increase is due to the held for sale portfolio where the fixed-rate loans increased \$196.4 million at December 31, 2001, compared to 2000. The adjustable-rate portfolio decreased to \$2.2 billion at December 31, 2001, compared to \$3.0 billion at December 31, 2000. The net decrease in adjustable-rate residential loans is due to low mortgage rate environment in 2001 where many adjustable-rate loans were refinanced into low fixed-rate loans.

In fiscal year 1998 the Corporation initiated commercial and multi-family real estate lending with these loans secured by properties located within the Corporation's primary market areas. This lending activity increased in 2001 over all periods since fiscal year 1998. The Corporation continues to build on its commercial relationships. In the fourth quarter of 2001, the Corporation started a new internet-based full-service cash management program. This service allows businesses access to electronic banking features such as funds transfers, debit consumer accounts, payment of vendors, direct payroll deposit, wire transfers and other services. These loans, which are subject to prudent credit review and other underwriting standards and collection procedures, are expected to constitute a greater portion of the Corporation's lending business in the future.

In addition to real estate loans, the Corporation originates consumer, home improvement, agricultural, commercial business and savings account loans through the Corporation's branch and loan office network and direct mail solicitation. Management intends to continue to increase its consumer loan origination activity with strict adherence to prudent underwriting and credit review procedures.



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Regulatory guidelines generally limit loans and extensions of credit to one borrower. At December 31, 2001, all loans were within the regulatory limitation of \$202.4 million to one borrower.

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### Composition of Loan Portfolio

The following table sets forth the composition of the Corporation's loan and mortgage-backed securities portfolios (including loans held for sale and mortgage-backed securities available for sale) as of the dates indicated below. Other than as disclosed below, there were no concentrations of loans which exceeded 10% of total loans at December 31, 2001.

	December 31,					
	2001		2000		2000	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
<b>Loan Portfolio</b>						
<b>Conventional real estate mortgage loans:</b>						
Loans on existing properties-						
Single-family residential.....	\$ 4,437,766	42.1%	\$ 5,015,369	47.0%	\$ 6,684,993	56.6%
Multi-family residential.....	324,602	3.1	232,203	2.2	193,711	1.7
Land.....	38,797	.4	32,558	.3	30,138	.3
Commercial real estate.....	1,324,748	12.6	1,138,038	10.7	985,008	8.6
Total.....	6,125,913	58.2	6,418,168	60.2	7,893,850	66.9
Construction loans-						
Single-family residential.....	304,638	2.9	258,972	2.4	245,302	2.1
Multi-family residential.....	120,826	1.1	99,041	.9	51,845	.5
Land.....	178,675	1.7	143,602	1.4	121,396	1.1
Commercial real estate.....	179,312	1.7	215,979	2.0	152,260	1.3
Total.....	783,451	7.4	717,594	6.7	570,803	4.9
FHA and VA loans.....	270,193	2.6	351,376	3.3	579,021	4.9
Mortgage-backed securities.....	1,829,728	17.4	1,514,510	14.2	1,221,831	10.3
Total real estate loans.....	9,009,285	85.6	9,001,648	84.4	10,265,505	86.6
Consumer, leases and other loans--						
Home improvement and other consumer loans.....	1,330,877	12.6	1,361,354	12.8	1,292,806	11.0
Savings account loans.....	18,598	.2	22,589	.2	21,297	.2
Leases.....	160	--	53,836	.5	94,694	.8
Commercial loans.....	170,280	1.6	228,426	2.1	179,703	1.5
Total consumer and other loans....	1,519,915	14.4	1,666,205	15.6	1,588,500	13.5
Total loans.....	\$10,529,200	\$100.0%	\$10,667,853	\$100.0%	\$11,854,005	\$100.0%

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	1998		1997		Percent
	Percent	Amount	Percent	Amount	
Loan Portfolio					
Conventional real estate mortgage loans:					
Loans on existing properties-					
Single-family residential.....	57.8%	\$5,476,608	60.2%	\$5,142,629	57.7%
Multi-family residential.....	1.7	169,860	1.9	156,127	1.8
Land.....	.9	22,582	.2	62,944	.7
Commercial real estate.....	7.0	494,325	5.4	499,575	5.6
Total.....	67.4	6,163,375	67.7	5,861,275	65.8
Construction loans-					
Single-family residential.....	2.2	279,437	3.1	283,271	3.2
Multi-family residential.....	.2	2,979	--	6,320	.1
Land.....	--	2,803	--	10,445	.1
Commercial real estate.....	.8	40,479	.5	20,093	.2
Total.....	3.2	325,698	3.6	320,129	3.6
FHA and VA loans.....	4.3	468,503	5.1	439,398	4.9
Mortgage-backed securities.....	11.8	1,083,789	11.9	1,378,162	15.5
Total real estate loans.....	86.7	8,041,365	88.3	7,998,964	89.8
Consumer, leases and other loans--					
Home improvement and other consumer loans.....	10.3	809,671	8.9	760,945	8.5
Savings account loans.....	.2	21,948	.2	19,516	.2
Leases.....	1.1	73,395	.8	46,174	.5
Commercial loans.....	1.7	155,617	1.8	79,818	1.0
Total consumer and other loans....	13.3	1,060,631	11.7	906,453	10.2
Total loans.....	\$100.0%	\$9,101,996	\$100.0%	\$8,905,417	\$100.0%

(Continued on next page)

Composition of Loan Portfolio (continued)

December 31,				
2001		2000		20
Amount	Percent	Amount	Percent	Amount

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Balance forward of total loans.....	\$10,529,200	100.0%	\$10,667,853	100.0%	\$11,854,000
Add (subtract):					
Unamortized premiums, net of discounts...	10,159		160		17,733
Unearned income.....	--		--		(16,733)
Deferred loan costs (fees), net.....	5,819		20,250		26,373
Loans in process.....	(209,574)		(196,940)		(164,313)
Allowance for loan losses.....	(102,451)		(83,439)		(70,553)
Allowance for losses on mortgage-backed securities.....	--		--		(28,373)
Loan portfolio.....	\$10,233,153		\$10,407,884		\$11,628,677

	1998		1997		Percent
	Percent	Amount	Percent	Amount	
Balance forward of total loans.....	100.0%	\$9,101,996	100.0%	\$8,905,417	100.0%
Add (subtract):					
Unamortized premiums, net of discounts...		14,161		17,805	
Unearned income.....		(13,253)		*	
Deferred loan costs (fees), net.....		24,178		(3,882)	
Loans in process.....		(112,781)		(108,741)	
Allowance for loan losses.....		(64,757)		(60,929)	
Allowance for losses on mortgage-backed securities.....		(419)		(678)	
Loan portfolio.....		\$8,949,125		\$8,748,992	

\* Not restated from a fiscal year 1998 acquisition accounted for as a pooling of interests.

For additional information regarding the Corporation's loan portfolio and mortgage-backed securities, see Notes 3, 4 and 5 to the Consolidated Financial Statements under Item 8 of this Report.

The table below sets forth the geographic distribution of the Corporation's total real estate loan portfolio (excluding mortgage-backed securities, consumer and other loans and before any reduction for unamortized premiums (net of discounts), undisbursed loan proceeds, deferred loan fees, unearned income and allowance for loan losses) as of the dates indicated:

December 31,		June 30,	
2001	2000	2000	1999

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State	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
(Dollars in Thousands)									
Colorado.....	\$1,302,407	18.1%	\$1,436,156	19.2%	\$1,647,963	18.2%	\$1,686,667	20.8%	\$1,710,000
Iowa.....	776,131	10.8	716,499	9.6	818,293	9.0	737,677	9.1	676,000
Nebraska.....	735,495	10.2	723,068	9.7	1,073,664	11.9	1,014,198	12.5	985,000
Kansas.....	668,161	9.3	658,366	8.8	954,020	10.5	860,740	10.6	678,000
Arizona.....	437,640	6.1	381,628	5.1	351,001	3.9	253,480	3.1	180,000
Missouri.....	395,378	5.5	345,931	4.6	380,653	4.2	329,985	4.1	185,000
Oklahoma.....	363,114	5.1	378,789	5.1	459,315	5.1	382,474	4.7	318,000
Nevada.....	232,017	3.2	253,057	3.4	207,364	2.3	160,643	2.0	130,000
Georgia.....	198,719	2.8	254,097	3.4	302,929	3.3	232,128	2.9	227,000
California....	196,487	2.7	180,254	2.4	192,598	2.1	247,835	3.0	148,000
Texas.....	185,555	2.6	188,700	2.5	205,783	2.3	184,313	2.3	158,000
Florida.....	170,526	2.4	191,265	2.6	268,492	3.0	242,972	3.0	123,000
Virginia.....	159,396	2.2	153,731	2.0	240,818	2.7	206,814	2.5	161,000
Massachusetts.	156,477	2.2	203,742	2.7	188,500	2.1	62,233	.8	55,000
Maryland.....	121,036	1.7	123,827	1.7	208,833	2.3	183,460	2.2	157,000
Minnesota.....	120,501	1.7	120,579	1.6	125,979	1.4	92,964	1.1	62,000
North Carolina	115,151	1.6	148,086	2.0	135,085	1.5	118,207	1.4	60,000
Ohio.....	100,478	1.4	110,181	1.5	143,992	1.6	122,146	1.5	93,000
Washington....	89,053	1.2	99,303	1.3	113,932	1.3	93,956	1.2	91,000
Alabama.....	74,949	1.0	86,709	1.1	125,767	1.4	90,675	1.1	50,000
Illinois.....	72,156	1.0	102,066	1.3	137,217	1.5	131,098	1.6	111,000
Connecticut...	57,582	.8	66,068	.9	83,567	.9	71,696	.9	64,000
Michigan.....	41,601	.6	66,295	.9	55,349	.6	29,505	.4	38,000
New Jersey....	38,876	.5	54,139	.7	71,352	.8	82,068	1.0	98,000
Utah.....	37,459	.5	36,510	.5	53,060	.6	39,336	.5	25,000
Pennsylvania..	31,376	.5	40,319	.5	51,811	.6	55,130	.7	59,000
Indiana.....	28,293	.4	38,986	.5	63,255	.7	66,727	.8	40,000
New York.....	21,296	.3	27,439	.4	31,548	.3	39,146	.5	38,000
Other states..	252,247	3.6	301,348	4.0	351,534	3.9	304,897	3.7	224,000
Total.....	\$7,179,557	100.0%	\$7,487,138	100.0%	\$9,043,674	100.0%	\$8,123,170	100.0%	\$6,957,000

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The following table presents the composition of the Corporation's total real estate portfolio (excluding mortgage-backed securities, consumer and other loans and before any reduction for unamortized premiums (net of discounts), undisbursed loan proceeds, deferred loan fees, unearned income and allowance for loan losses) by state and property type at December 31, 2001:

State	Conventional Residential 1-4 Units	FHA/VA Residential Loans	Multi-Family	Land Loans	Sub Total	Commercial Loans	Total	% Total
(Dollars in Thousands)								
Colorado.....	\$ 793,525	\$ 10,277	\$107,390	\$ 37,076	\$ 948,268	\$ 354,139	\$1,302,407	
Iowa.....	423,898	11,998	62,437	44,790	543,123	233,008	776,131	
Nebraska.....	539,506	35,515	39,424	18,357	632,802	102,693	735,495	
Kansas.....	412,138	65,697	27,976	19,586	525,397	142,764	668,161	

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Arizona.....	238,302	8,068	16,763	50,413	313,546	124,094	437,640
Missouri.....	228,344	19,328	26,826	5,581	280,079	115,299	395,378
Oklahoma.....	198,141	16,199	58,665	3,634	276,639	86,475	363,114
Nevada.....	77,788	3,611	26,648	30,255	138,302	93,715	232,017
Georgia.....	169,064	9,595	475	--	179,134	19,585	198,719
California.....	109,296	2,601	16,342	57	128,296	68,191	196,487
Texas.....	83,506	8,928	19,548	--	111,982	73,573	185,555
Florida.....	127,456	4,837	15,682	--	147,975	22,551	170,526
Virginia.....	150,898	8,498	--	--	159,396	--	159,396
Massachusetts..	155,996	10	471	--	156,477	--	156,477
Maryland.....	106,593	14,297	4	--	120,894	142	121,036
Minnesota.....	98,538	3,091	6,738	4,178	112,545	7,956	120,501
North Carolina	101,567	1,058	4,788	--	107,413	7,738	115,151
Ohio.....	96,480	2,623	884	--	99,987	491	100,478
Washington....	77,682	4,926	1,297	--	83,905	5,148	89,053
Alabama.....	65,297	9,652	--	--	74,949	--	74,949
Illinois.....	63,919	3,767	64	1,769	69,519	2,637	72,156
Connecticut...	55,443	108	6	1,776	57,333	249	57,582
Michigan.....	38,474	2,319	19	--	40,812	789	41,601
New Jersey....	38,187	689	--	--	38,876	--	38,876
Utah.....	25,246	5,559	962	--	31,767	5,692	37,459
Pennsylvania..	28,976	2,186	214	--	31,376	--	31,376
Indiana.....	22,383	5,910	--	--	28,293	--	28,293
New York.....	17,198	142	93	--	17,433	3,863	21,296
Other states..	198,563	8,704	11,712	--	218,979	33,268	252,247
Total.....	\$4,742,404	\$270,193	\$445,428	\$217,472	\$5,675,497	\$1,504,060	\$7,179,557
% of Total....	66.1%	3.8%	6.2%	3.0%	79.1%	20.9%	100.0%

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Contractual Principal Repayments

The following table sets forth certain information at December 31, 2001, regarding the dollar amount of all loans and mortgage-backed securities maturing in the Corporation's portfolio based on contractual terms to maturity. This repayment information excludes scheduled payments or an estimate of possible prepayments. Demand loans (loans having no stated schedule of repayments and no stated maturity) and overdrafts are reported as due in one year or less. Since prepayments significantly shorten the average life of loans and mortgage-backed securities, management believes that the following table will bear little resemblance to what will be the actual repayments. Loan balances have not been reduced for (1) unamortized premiums (net of discounts), undisbursed loan proceeds, deferred loan fees and allowance for loan losses or (2) nonperforming loans.

	Due During the Year Ended December 31,			
	2002	2003-2006	After 2006	Total
-				

(In Thousands)

Principal Repayments  
Real Estate Loans:

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Single-family residential (1)--				
Fixed-rate.....	\$ 42,255	\$ 314,316	\$2,181,322	\$ 2,537,8
Adjustable-rate.....	29,678	310,902	1,829,486	2,170,0
Multi-family residential, land and commercial real estate--				
Fixed-rate.....	52,558	435,528	257,455	745,5
Adjustable-rate.....	47,123	104,335	791,148	942,6
	-----	-----	-----	-----
	171,614	1,165,081	5,059,411	6,396,1
	-----	-----	-----	-----
Construction Loans:				
Fixed-rate.....	121,800	20,852	8,708	151,3
Adjustable-rate.....	587,666	27,066	17,359	632,0
	-----	-----	-----	-----
	709,466	47,918	26,067	783,4
	-----	-----	-----	-----
Consumer and Other Loans:				
Fixed-rate.....	78,687	698,999	540,643	1,318,3
Adjustable-rate.....	74,057	26,078	101,451	201,5
	-----	-----	-----	-----
	152,744	725,077	642,094	1,519,9
	-----	-----	-----	-----
Mortgage-Backed Securities:				
Fixed-rate.....	52,933	251,353	1,333,576	1,637,8
Adjustable-rate.....	3,927	18,564	169,375	191,8
	-----	-----	-----	-----
	56,860	269,917	1,502,951	1,829,7
	-----	-----	-----	-----
Principal Repayments.....	\$1,090,684	\$2,207,993	\$7,230,523	\$10,529,2
	=====	=====	=====	=====

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(1) Includes conventional mortgage loans, FHA and VA loans.

Scheduled contractual principal repayments do not reflect the actual maturities of the assets. The average maturity of loans is substantially less than their average contractual terms. This is due primarily to prepayments and, in the case of conventional mortgage loans, due-on-sale clauses, which generally give the Corporation the right to declare a loan immediately due and payable in the event that the borrower sells the real property subject to the mortgage and the loan is not repaid. The average life of mortgage loans tends to increase when current mortgage loan rates are substantially higher than rates on existing mortgage loans and, conversely, decrease when rates on existing mortgage loans are substantially higher than current mortgage loan rates. Under the latter circumstances, the weighted average yield on loans decreases as higher yielding loans are repaid.

The following table sets forth the amount of all loans and mortgage-backed securities due after December 31, 2002 (January 1, 2003, and thereafter), which have fixed interest rates and those which have adjustable interest rates. These loans and mortgage-backed securities have not been reduced for (1) unamortized premiums (net of discounts), undisbursed loan proceeds, deferred loan fees and allowance for loan losses or (2) nonperforming loans.

	Adjustable	
	Fixed-Rate	Rate
		Total

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(In Thousands)

Real Estate Loans:			
Single-family residential.....	\$2,495,638	\$2,140,388	\$4,636,026
Multi-family residential, land and commercial..	692,983	895,483	1,588,466
Construction loans.....	29,560	44,425	73,985
Consumer and other loans.....	1,239,642	127,529	1,367,171
Mortgage-backed securities.....	1,584,929	187,939	1,772,868
-----			
Principal repayments due after December 31, 2001	\$6,042,752	\$3,395,764	\$9,438,516
=====			

Residential Loans

The Corporation originates and purchases both fixed-rate and adjustable-rate mortgage loans secured by single-family units through its branch network, the loan offices of CFMC and a nationwide correspondent network. Such residential mortgage loans are either:

- . conventional mortgage loans which comply with the requirements for sale to, or conversion into securities issued by, FNMA or FHLMC ("conventional conforming loans"),
- . mortgage loans which exceed the maximum loan amount allowed by FNMA or FHLMC but which otherwise generally comply with FNMA and FHLMC loan requirements, or mortgage loans not exceeding the maximum loan amount allowed by FNMA or FHLMC but do not meet all of the conformity requirements of FNMA and FHLMC ("conventional nonconforming loans") or
- . FHA/VA loans which qualify for sale in the form of securities guaranteed by GNMA.

The Corporation originates substantially all conventional conforming loans or conventional nonconforming loans (collectively, "conventional loans") with loan-to-value ratios at or below 80.0% unless the borrower obtains private mortgage insurance (through the Corporation's mortgage banking subsidiary, which premium the borrower pays with their mortgage payment) for the Corporation's benefit covering that portion of the loan in excess of 80.0% of the appraised value. Occasional exceptions to the 80.0% loan-to-value ratio for conventional loans are made for loans to facilitate the resolution of nonperforming assets.

Fixed-rate residential mortgage loans generally are originated with terms of 15 and 30 years and are amortized on a monthly basis with principal and interest due each month. Adjustable-rate residential mortgage loans are also originated with terms of 15 and 30 years. However, certain adjustable-rate loans contain provisions

which permit the borrower, at the borrower's option, to convert at certain periodic intervals over the life of the loan to a long-term fixed-rate loan. The adjustable-rate loans currently have interest rates which are scheduled to adjust at six, 12, 24 or 36 month intervals based upon various indices, including the Treasury Constant Maturity Index or the Eleventh District Federal Home Loan Bank Cost of Funds Index. The amount of any such interest rate increase is limited to one or two percentage points annually and four to six percentage points over the life of the loan. Certain adjustable-rate loans are

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also offered which have interest rates fixed over annual periods ranging from two through seven years, and also ten year loans, with such loans repricing annually after the fixed interest-rate term. Adjustable-rate loans are primarily offered at the fully indexed contractual rate. The Corporation applies its underwriting criteria to such loans based on the amount of the loan for which the borrower could qualify at the indexed rate. At December 31, 2001, approximately 1.33%, or \$60.6 million, of the Corporation's residential real estate loan portfolio was 90 days or more delinquent.

### Construction Loans

During the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999, the Corporation originated \$728.4 million, \$342.1 million, \$608.1 million and \$475.1 million, respectively, of construction loans. The Corporation conducts its construction lending operations in its primary market areas and Las Vegas, Nevada. The residential construction lending operations, which loans are subject to prudent credit review and other underwriting standards and procedures, are expected to continue to increase over prior periods. At December 31, 2001, approximately .53%, or \$3.0 million, of the Corporation's construction loan portfolio was 90 days or more delinquent.

Construction financing is considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and the total estimated cost, including interest. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, the Corporation may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value proves to be inaccurate, the Corporation may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment.

### Commercial Real Estate and Land Loans

The Corporation originated commercial real estate loans totaling \$768.6 million, \$291.2 million, \$347.0 million and \$280.7 million, respectively, during the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999. Commercial real estate lending entails significant additional risks compared with residential real estate lending. These additional risks are due to larger loan balances which are more sensitive to economic conditions, business cycle downturns and construction related risks. The payment of principal and interest due on the Corporation's commercial real estate loans is substantially dependent upon the performance of the projects securing the loans. As an example, to the extent that the occupancy and rental rates are not high enough to generate the income necessary to make payments, the Corporation could experience an increased rate of delinquency and could be required either to declare the loans in default and foreclose upon the properties or to make concessions on the terms of the repayment of the loans. At December 31, 2001, approximately 1.36%, or \$23.3 million, of the Corporation's commercial real estate and land loans were 90 days or more delinquent.

The aggregate amount of loans which a federal savings institution may make on the security of liens on nonresidential real property may not exceed 400.0% of the institution's total risk-based capital as determined under current regulatory capital standards. This limitation totaled approximately \$3.4 billion at December 31, 2001, compared to \$1.7 billion of commercial real estate and land loans outstanding at December 31, 2001. This restriction has not and is not expected to materially affect the Corporation's business.



### Consumer Loans

Federal regulations permit federal savings institutions to make secured and unsecured consumer loans up to 35.0% of an institution's total regulatory assets. Any loans in excess of 30.0% of assets may only be made directly to the borrower and cannot involve the payment of any finders or referral fees. In addition, a federal savings institution has lending authority above the 35.0% category for certain consumer loans, such as home equity loans, property improvement loans, mobile home loans and savings account secured loans. Consumer loans originated by the Corporation are primarily second mortgage loans, loans to depositors on the security of their savings accounts and loans secured by automobiles. The Corporation has increased its secured consumer lending activities in order to meet its customers' financial needs and will continue to increase such lending activities in the future in its primary market areas.

Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or secured by rapidly depreciable assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. Such loans may also give rise to claims and defenses by a consumer loan borrower against an assignee of such loans such as the Corporation, and a borrower may be able to assert against such assignee claims and defenses which it has against the seller of the underlying collateral. At December 31, 2001, approximately .44%, or \$6.9 million, of the Corporation's consumer loans are 90 days or more delinquent.

### Loan Sales

In addition to originating loans for its portfolio, the Corporation, through its mortgage banking subsidiary, participates in secondary mortgage market activities by selling whole and securitized loans to institutional investors or other financial institutions with the Corporation generally retaining the right to service such loans. Substantially all of the Corporation's secondary mortgage market activity is with GNMA, FNMA and FHLMC. Conventional conforming loans are either sold for cash as individual whole loans to FNMA or FHLMC, or pooled in exchange for securities issued by FNMA or FHLMC which are then sold to investment banking firms. FHA and VA loans are originated or purchased by the Corporation's mortgage banking subsidiary and either are retained for the Corporation's real estate loan portfolio or are pooled to form GNMA securities which are subsequently sold to investment banking firms or are sold to the Bank.

During the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999, the Corporation sold an aggregate of \$2.7 billion, \$2.3 billion, \$762.1 million and \$2.0 billion, respectively, in mortgage loans. These sales resulted in net gains during calendar year 2001 and fiscal year 1999 totaling \$4.7 million and \$3.4 million, respectively, and net losses of \$18.0 million and \$110,000, respectively, during the six months ended December 31, 2000, and fiscal year 2000. Of the amount of mortgage loans sold during the year ended December 31, 2001, the six months ended December 31,

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2000, and fiscal year 2000, \$2.3 billion, \$2.2 billion and \$742.4 million, respectively, were sold in the secondary market, and the remaining balances sold to other institutional investors. At December 31, 2001, the carrying value of loans held for sale totaled \$470.6 million.

Mortgage loans are generally sold in the secondary mortgage market without recourse to the Corporation in the event of borrower default, subject to certain limitations applicable to VA loans. Historical losses realized by the Corporation as a result of limitations applicable to VA loans have been immaterial on an annual basis. However, in connection with a 1987 acquisition of a financial institution, the Bank assumed agreements

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providing for recourse in the event of default on obligations transferred in connection with sales of certain securities by such institution. At December 31, 2001, the remaining balance of these loans sold with recourse totaled \$8.8 million.

Loan Activity

The following table sets forth the Corporation's loan and mortgage-backed securities activity for the periods as indicated:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 2000	Year Ended June 1999
(In Thousands)				
<b>Loans Originated:</b>				
Real estate loans-				
Residential loans.....	\$1,201,279	\$ 357,465	\$ 672,295	\$1,288,494
Construction loans.....	728,432	342,102	608,145	478,145
Commercial real estate and land loans.....	768,578	291,237	346,979	288,145
Consumer and other loans.....	1,343,577	530,862	1,289,878	998,145
Loans originated.....	\$4,041,866	\$1,521,666	\$2,917,297	\$3,048,882
<b>Loans Purchased:</b>				
Conventional mortgage loans-				
Residential loans.....	\$2,569,630	\$ 718,495	\$1,697,395	\$2,328,145
Bulk residential loan purchases.....	--	--	207,494	61,145
Commercial loans.....	19,075	9,968	51,267	66,145
Mortgage-backed securities.....	1,074,215	909,599	160,073	66,145
Loans purchased.....	\$3,662,920	\$1,638,062	\$2,116,229	\$3,061,585
<b>Loans Securitized:</b>				
Conventional mortgage loans securitized into mortgage-				
backed securities.....	\$ 41,910	\$ 3,543	\$ 42,635	\$ 2,145
<b>Acquisitions:</b>				
Residential real estate loans.....	\$ --	\$ --	\$ --	\$ 56,145

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Consumer and other loans.....	--	--	--	61
Mortgage-backed securities.....	--	--	--	8
	-----	-----	-----	-----
Loans from acquisitions.....	\$ --	\$ --	\$ --	\$1,26
	=====	=====	=====	=====
Loans Sold:				
Conventional mortgage loans.....	\$2,736,379	\$2,282,895	\$ 762,070	\$1,95
Mortgage-backed securities.....	93,281	549,834	--	20
	-----	-----	-----	-----
Loans sold.....	\$2,829,660	\$2,832,729	\$ 762,070	\$2,16
	=====	=====	=====	=====

Loan Servicing for Other Institutions

The Corporation, through its mortgage banking subsidiary, services substantially all of the mortgage loans that it originates and purchases (whether retained for the Bank's portfolio or sold in the secondary market), thereby generating ongoing loan servicing fees. The Corporation also periodically purchases mortgage servicing rights. At December 31, 2001, the Bank's mortgage banking subsidiary was servicing approximately 133,400 loans and participations for others with principal balances aggregating \$9.5 billion, compared to 138,700 loans and participations for others with principal balances totaling \$9.1 billion at December 31, 2000.

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Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, holding escrow (impound funds) for payment of taxes and insurance, making inspections as required of the mortgage premises, collecting amounts due from delinquent mortgagors, supervising foreclosures in the event of unremedied defaults and generally administering the loans for the investors to whom they have been sold.

The Corporation receives fees for servicing mortgage loans for others, ranging generally from .25% to .53% per annum on the declining principal balances of the loans. The average service fee collected by the Corporation was .35%, .36% and .39%, respectively, for the year ended December 31, 2001, the six months ended December 31, 2000, and for fiscal year 2000. The Corporation's servicing portfolio is subject to reduction primarily by reason of normal amortization and prepayment of outstanding mortgage loans. In general, the value of the Corporation's loan servicing portfolio may also be adversely affected as mortgage interest rates decline and loan prepayments increase. It is expected that income generated from the Corporation's loan servicing portfolio also will decline in such an environment. This negative effect on the Corporation's income may be offset somewhat by a rise in origination and servicing fee income attributable to new loan originations, which historically have increased in periods of low mortgage interest rates. The weighted average mortgage loan note rate of the Corporation's servicing portfolio at December 31, 2001, was 7.16% compared to 7.45% at December 31, 2000.

At December 31, 2001 and 2000, approximately 92.9% and 96.7%, respectively, of the Corporation's mortgage servicing portfolio for other institutions was covered by servicing agreements pursuant to the mortgage-backed securities programs of GNMA, FNMA and FHLMC. Under these agreements, the Corporation may be required to advance funds temporarily to make scheduled payments of principal, interest, taxes or insurance if the borrower fails to make such payments. Although the Corporation cannot charge any interest on these advanced funds, the Corporation typically recovers the advances within a reasonable

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number of days upon receipt of the borrower's payment, or in the absence of such payment, advances are recovered through FHA insurance, VA guarantees or FNMA or FHLMC reimbursement provisions in connection with loan foreclosures. During the year ended December 31, 2001, the average amount of funds advanced by the Corporation pursuant to servicing agreements was approximately \$2.4 million.

### Interest Rates and Loan Fees

Interest rates charged by the Corporation on its loans are primarily determined by secondary market yield requirements and competitive loan rates offered in its lending areas. In addition to interest earned on loans, the Corporation receives loan origination fees for originating certain loans. These fees are a percentage of the principal amount of the mortgage loan and are charged to the borrower.

### Loan Commitments

At December 31, 2001, the Corporation had issued commitments of \$603.4 million, excluding the undisbursed portion of loans in process, to fund and purchase loans and to extend credit on consumer and commercial unused lines of credit. These commitments are generally expected to settle within three months following December 31, 2001. These outstanding loan commitments to extend credit do not necessarily represent future cash requirements since many of the commitments may expire without being drawn. The Corporation anticipates that normal amortization and prepayments of loan and mortgage-backed security principal will be sufficient to fund these loan commitments. See "MD&A--Liquidity and Capital Resources" under Item 7 of this Report.

### Collection Procedures

If a borrower fails to make required payments on a loan, the Corporation generally will take immediate action to satisfy its claim against the security on the loan. If a delinquency cannot otherwise be cured, the Corporation records a notice of default and commences foreclosure proceedings. When a trustee sale is held, the Corporation generally acquires title to the property. The property may then be sold for cash or with financing

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conforming to normal loan requirements, or it may be sold or financed with a "loan to facilitate" involving terms more favorable to the borrower than those permitted by applicable regulations for new loans.

### Asset Quality

#### Nonperforming Assets

Loans are reviewed on a regular basis and are placed on a nonaccruing status when either principal or interest is 90 days or more past due. Interest accrued and unpaid at the time a loan is placed on nonaccruing status is charged against interest income. Subsequent payments are applied to the outstanding principal balance until such time as the loan is removed from nonaccruing status.

Real estate acquired by the Corporation as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until such time as it is sold. Such property is stated at the lower of cost or fair value, minus estimated costs to sell. Impairment losses are recorded when the carrying value exceeds the fair value minus estimated costs to sell the property.

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In certain circumstances the Corporation does not immediately foreclose when a delinquency is not cured promptly, particularly when the borrower does not intend to abandon the collateral, since by not foreclosing the risk of ownership would still be retained by the borrower. The evaluation of borrowers and collateral may involve determining that the most economic way to reduce the Corporation's risk of loss may be to allow the borrower to remain in possession of the property and to restructure the debt as a troubled debt restructuring. In these circumstances, the Corporation would strive to ensure that the borrower's continued participation in and management of the collateral does not put the Corporation at further risk of loss. In situations in which the borrower is not performing under the restructured terms, foreclosure proceedings are commenced when legally allowable.

A troubled debt restructuring is a loan on which the Corporation, for reasons related to the debtor's financial difficulties, grants a concession to the debtor, such as a reduction in the loan's interest rate, a reduction in the face amount of the debt, or an extension of the maturity date of the loan, that the Corporation would not otherwise consider. A loan classified as a troubled debt restructuring may be reclassified as current if such loan has returned to a performing status at a market rate of interest for at least 8 to 12 months, the loan-to-value ratio is 80.0% or less, the cash flows generated from the collateralized property support the loan amount subject to minimum debt service coverage as defined and overall applicable economic conditions are favorable. Such loan balance decreased to \$3.1 million at December 31, 2001, compared to \$4.3 million at December 31, 2000, and \$5.4 million at June 30, 2000. The decrease comparing December 31, 2001, to December 31, 2000, is due primarily to the charge-off of a loan totaling \$582,000 and the reclassification of another loan totaling \$414,000 from troubled debt restructuring status to current loan status. The decrease at December 31, 2000, compared to June 30, 2000, is due primarily to the payoff of two loans totaling \$2.4 million partially offset by the addition of one commercial loan totaling \$1.4 million.

The Corporation's nonperforming assets totaled \$142.2 million at December 31, 2001, an increase of \$16.0 million, or 12.7%, compared to December 31, 2000. This increase is the result of a net increase totaling \$19.2 million in real estate owned partially offset by net decreases in nonperforming loans and troubled debt restructurings totaling \$2.0 million and \$1.2 million, respectively. At December 31, 2000, nonperforming assets totaled \$126.2 million, an increase of \$26.1 million, or 26.0% compared to June 30, 2000, primarily as a result of an increase of \$30.9 million in nonperforming loans partially offset by decreases of \$3.6 million in real estate owned and \$1.1 million in troubled debt restructurings. For a discussion of the major components of the increase in nonperforming assets at December 31, 2001, compared to December 31, 2000, see "MD&A--Provision for Loan Losses and Real Estate Operations" under Item 7 of this Report.

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The following table sets forth information with respect to the Bank's nonperforming assets as follows:

December 31,		June 30,		
2001	2000	2000	1999	1998

(Dollars in Thousands)

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Loans accounted for on a nonaccrual basis:(1)

Real estate--						
Residential.....	\$ 63,495	\$ 81,406	\$ 48,996	\$ 49,061	\$43,212	\$3
Commercial.....	23,423	4,446	2,550	12,220	1,369	
Consumer and other loans.....	6,929	10,019	13,466	8,734	4,785	
Total.....	93,847	95,871	65,012	70,015	49,366	4
Accruing loans which are contractually past due 90 days or more.....	--	--	--	--	--	
Total nonperforming loans.....	93,847	95,871	65,012	70,015	49,366	4
Real estate:						
Commercial.....	8,762	10,198	12,862	8,880	8,465	
Residential.....	36,446	15,824	16,803	14,384	8,821	
Other.....	--	--	--	--	480	
Total.....	45,208	26,022	29,665	23,264	17,766	1
Troubled debt restructurings: (2)						
Commercial.....	3,057	4,195	5,259	9,534	3,524	
Residential.....	84	90	172	195	778	
Total.....	3,141	4,285	5,431	9,729	4,302	1
Nonperforming assets.....	\$142,196	\$126,178	\$100,108	\$103,008	\$71,434	\$7
Nonperforming loans to total loans (3).....	1.08%	1.05%	.61%	.73%	.62%	
Nonperforming assets to total assets.....	1.10%	1.01%	.73%	.81%	.69%	
Allowance for loan losses.....	\$102,451	\$ 83,439	\$ 70,556	\$ 80,419	\$64,757	\$6
Allowance for loan losses to total loans (3).....	1.18%	.91%	.66%	.84%	.81%	
Allowance for loan losses to total nonperforming assets.....	72.05%	66.13%	70.48%	78.07%	90.65%	
Allowance for loan losses to nonresidential nonperforming assets.....	242.94%	289.14%	206.68%	204.28%	347.73%	2

(1) During fiscal year 1997, the Corporation recorded interest income totaling \$49,000 on accruing loans contractually past due 90 days or more. No interest income was recorded during the year ended December 31, 2001, the six months ended December 31, 2000, or during fiscal years 2000, 1999 and 1998. Had these nonaccruing loans been current in accordance with their original terms and outstanding throughout this year or since origination, the Corporation would have recorded gross interest income on these loans totaling \$6.4 million, \$5.3 million, \$3.8 million, \$4.2 million, \$4.3 million and \$3.7 million, respectively, during the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000, 1999, 1998 and 1997.

(2) During the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000, 1999, 1998 and 1997, the Corporation recognized interest income on loans classified as troubled debt restructurings aggregating \$236,000, \$176,000, \$430,000, \$470,000, \$380,000 and \$852,000, respectively, whereas under their original terms the Corporation would have recognized interest income of \$268,000, \$194,000, \$494,000, \$526,000, \$499,000 and \$1.1 million, respectively. At December 31, 2001, the Corporation had no material commitments to lend additional funds to borrowers whose loans were subject to troubled debt restructuring.

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(3) Based on the total balance of loans receivable (before any reduction for unamortized discounts net of premiums, undisbursed loan proceeds, deferred loan fees and allowance for loan losses) at the respective dates.

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The geographic concentration of nonperforming loans as of the dates indicated was as follows:

State	December 31,		June 30,			
	2001	2000	2000	1999	1998	1997
	(In Thousands)					
Kansas.....	\$17,035	\$ 7,177	\$ 5,484	\$15,552	\$ 6,030	\$ 2,973
Nevada.....	10,122	23,932	1,822	1,651	1,198	438
Iowa.....	9,563	12,037	12,890	6,111	4,013	3,477
Nebraska.....	6,376	3,829	3,287	2,455	2,595	2,629
Colorado.....	6,242	2,882	2,607	2,646	4,065	2,717
Maryland.....	4,579	3,611	4,261	2,712	2,258	1,623
Georgia.....	3,285	3,789	2,640	2,752	2,127	2,601
Florida.....	3,162	3,554	4,244	4,356	1,502	1,389
Oklahoma.....	3,005	3,925	2,653	3,568	3,178	2,303
Arizona.....	2,801	1,309	751	450	1,195	973
Alabama.....	2,759	2,054	1,684	863	1,307	510
Texas.....	2,467	1,533	1,814	1,378	2,028	3,274
Virginia.....	2,319	2,622	2,476	1,691	1,479	656
Ohio.....	2,275	2,790	2,459	1,818	722	342
Missouri.....	2,146	2,093	1,455	3,241	1,944	2,402
California.....	1,235	2,782	2,301	3,988	3,377	3,206
Illinois.....	1,212	1,524	1,024	1,325	1,579	1,754
Connecticut.....	1,013	673	280	605	752	860
Pennsylvania.....	993	661	881	844	852	855
Washington.....	960	730	509	690	182	449
North Carolina.....	827	1,519	1,172	907	293	392
Minnesota.....	804	499	355	590	1,004	610
New Jersey.....	665	1,043	1,010	1,414	1,277	1,060
Michigan.....	569	606	776	725	310	142
New York.....	457	980	771	686	671	606
Other states.....	6,976	7,717	5,406	6,997	3,428	5,386
Nonperforming loans.	\$93,847	\$95,871	\$65,012	\$70,015	\$49,366	\$43,627

The nonperforming loans totaling \$93.8 million at December 31, 2001, consisted of 1,574 loans as follows:

Amount	Number of Loans
(Dollars in Thousands)	

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Residential real estate.....	\$60,616	989
Commercial real estate.....	23,298	33
Residential construction.....	2,879	15
Commercial construction.....	125	1
Consumer loans.....	4,461	483
Agribusiness loans.....	1,595	29
Commerical and other operating loans.....	873	24
	-----	-----
Nonperforming loans.....	\$93,847	1,574
	=====	=====

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The geographic concentration of nonperforming real estate as of the dates indicated was as follows:

State	December 31,		June 30,			
	2001	2000	2000	1999	1998	1997
	(In Thousands)					
Nevada.....	\$21,892	\$ 167	\$ 333	\$ 657	\$ 138	\$ 603
Missouri.....	4,593	4,147	8,725	4,811	465	522
Arizona.....	4,417	401	171	582	--	--
Iowa.....	2,167	1,905	2,016	3,595	1,345	1,129
Nebraska.....	1,691	944	796	1,196	5,417	5,565
Kansas.....	1,580	6,997	5,753	1,809	1,876	873
Illinois.....	1,539	1,955	2,179	2,069	373	13
Georgia.....	1,051	451	386	301	140	933
Oklahoma.....	955	770	1,913	1,292	1,299	509
Maryland.....	823	839	531	471	1,315	436
Ohio.....	706	967	550	678	--	--
Florida.....	702	1,410	1,422	1,180	297	277
Colorado.....	444	791	1,119	2,768	2,825	6,589
Pennsylvania.....	336	79	126	377	111	102
Minnesota.....	78	99	163	627	456	13
California.....	69	443	626	1,098	52	1,382
Indiana.....	62	431	559	395	29	--
New Jersey.....	21	269	102	122	317	240
Texas.....	9	525	503	85	445	220
Other states.....	2,073	2,432	1,917	2,224	1,338	1,478
Unallocated reserves.....	--	--	(225)	(3,073)	(472)	(1,347)
	-----	-----	-----	-----	-----	-----
Nonperforming real estate.....	\$45,208	\$26,022	\$29,665	\$23,264	\$17,766	\$19,537
	=====	=====	=====	=====	=====	=====

At December 31, 2001, nonperforming real estate totaling \$45.2 million (393 properties) consisted of residential real estate totaling \$36.4 million (374 properties) or 80.5% of the total and commercial real estate totaling \$8.8 million (19 properties). The real estate located in Nevada primarily consists of a residential master planned community property totaling \$21.6 million at December 31, 2001.

Under the Corporation's credit policies and practices, certain real estate



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loans meet the definition of impaired loans under Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" and Statement of Financial Accounting Standards No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures." A loan is considered impaired when it is probable that the Corporation, based upon current information, will not collect amounts due, both principal and interest, according to the contractual terms of the loan agreement. Certain loans are exempt from the provisions of the aforementioned accounting statements, including large groups of smaller-balance homogenous loans that are collectively evaluated for impairment which, for the Corporation, include one-to-four family first mortgage loans and consumer loans. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the observable market price of the loan or the fair value of the collateral if the loan is collateral dependent.

Loans reviewed for impairment by the Corporation are primarily commercial loans and loans modified in a troubled debt restructuring. The Corporation's impaired loan identification and measurement processes are conducted in conjunction with the Corporation's review of classified assets and adequacy of its allowance for possible loan losses. Specific factors utilized in the impaired loan identification process include, but are not limited to, delinquency status, loan-to-value ratio, debt coverage and certain other conditions pursuant to the Corporation's classification policy. At December 31, 2001, the Corporation had impaired loans totaling \$17.3

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million, net of specific reserves. Troubled debt restructurings totaling \$2.7 million, net of specific reserves totaling \$475,000, are classified as impaired loans and included in the table for nonperforming assets. At December 31, 2000, impaired loans totaled approximately \$24.2 million.

### Classification of Assets

Savings institutions are required to review their assets on a regular basis and, as warranted, classify them as "substandard," "doubtful," or "loss" as defined by OTS regulations. Adequate valuation allowances are required to be established for assets classified as substandard or doubtful. If an asset is classified as a loss, the institution must either establish a specific valuation allowance equal to the amount classified as loss or charge off such amount. An asset which does not currently warrant classification as substandard but which possesses credit deficiencies or potential weaknesses deserving close attention is required to be designated as "special mention." In addition, a savings institution is required to set aside adequate valuation allowances to the extent that any affiliate possesses assets which pose a risk to the savings institution. The OTS has the authority to approve, disapprove or modify any asset classification or any amount established as an allowance pursuant to such classification. The Corporation establishes specific valuation allowances equal to 100.0% of all assets classified as doubtful or loss resulting in a net book value of zero. At December 31, 2001, the Corporation had \$67.2 million in assets classified as special mention, \$151.4 million in assets classified as substandard, and no assets classified as doubtful or loss. Substantially all nonperforming assets at December 31, 2001, are classified as substandard pursuant to applicable asset classification standards. Of the Corporation's loans which were not classified at December 31, 2001, there were no loans where known information about possible credit problems of borrowers caused management to have serious doubts as to the ability of the borrowers to comply with present loan repayment terms.

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### Loan and Real Estate Review Policy

Management of the Corporation has the responsibility for establishing policies and procedures for the timely evaluation of the credit risk in the Corporation's loan and real estate portfolios. Management is also responsible for the determination of all specific and estimated provisions for loan losses and impairments for real estate losses, taking into consideration a number of factors, including changes in the composition of the Corporation's loan portfolio and real estate balances, current economic conditions, including real estate market conditions in the Corporation's lending areas that may affect the borrower's ability to make payments on loans, regular examinations by the Corporation's credit review group of the quality of the overall loan and real estate portfolios, and regular review of specific problem loans and real estate.

Management also has the responsibility of ensuring timely charge-offs of loan and real estate balances, as appropriate, when general and economic conditions warrant a change in the value of these loans and real estate. To ensure that credit risk is properly and timely monitored, this responsibility has been delegated to a credit review group which consists of key personnel of the Corporation knowledgeable in the specific areas of loan and real estate valuation.

The objectives of the credit review group are

- . to define the risk of collectibility of the Corporation's loans and the likelihood of liquidation of real estate and other assets and their book value,
- . to identify problem assets at the earliest possible time,
- . to assure an adequate level of allowances for possible losses to cover identified and anticipated credit risks,
- . to monitor the Corporation's compliance with established policies and procedures, and
- . to provide the Corporation's management with information obtained through the asset review process.

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This credit review group analyzes all significant loans and real estate of the Corporation for appropriate levels of reserves on loans and impairment losses on real estate based on varying degrees of loan or real estate value weakness. These types of loans and real estate are assigned a credit risk rating ranging from one (excellent) to six (loss). Loans with minimal credit risk (not adversely classified or with a credit risk rating of one to four) generally have reserves established on the basis of the Corporation's historical loss experience and various other factors. Loans adversely classified (substandard, doubtful, loss or with a credit risk rating of five or six) have greater levels of specific reserves established as applicable to recognize impairment in the value of loans. Impairment losses are recorded on real estate when the fair value less estimated selling costs of the property is less than the carrying value of the property.

It is management's responsibility to maintain a reasonable allowance for loan losses applicable to all categories of loans through periodic charges to operations. Management employs a systematic methodology to determine the amount of allocated specific allowances of loan losses. Specific loans that are impaired, or any portion impaired, are allocated a specific allowance equal to

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the amount of impairment. The estimated allowances established on each of the Corporation's specific pools of outstanding loan portfolios is based on a minimum and maximum percentage range of the specific portfolios as follows:

Type of Loan and Status -----	Minimum Loan Loss Percentage -----	Maximum Loan Lo Percent -----
Residential real estate loans:		
Current.....	.15%	.2
90 days delinquent (or classified substandard).....	7.50	10.0
Residential construction loans:		
Current.....	1.00	1.7
Classified special mention.....	2.00	5.0
90 days delinquent (or classified substandard).....	10.00	20.0
Commercial real estate loans:		
Current.....	1.00	1.7
Classified special mention.....	2.00	5.0
90 days delinquent (or classified substandard).....	10.00	20.0
Commercial operating loans:		
Current.....	1.00	1.7
Classified special mention.....	2.00	5.0
90 days delinquent (or classified substandard).....	10.00	20.0
Agricultural loans:		
Current.....	1.00	1.7
Classified special mention.....	2.00	5.0
90 days delinquent (or classified substandard).....	10.00	20.0
Consumer loans:		
Current--auto.....	1.75	2.5
Current--home equity.....	.75	1.5
Current--all others.....	2.75	3.5
Classified substandard and 90 days delinquent.....	20.00	30.0
120 days delinquent (the unsecured balance of consumer loans over 120 days delinquent is generally written off).....	100.00	100.0
Credit card/taxsaver:		
Current credit card.....	4.00	5.0
Current taxsaver.....	.75	1.5
90 days delinquent (or classified substandard).....	20.00	30.0
120 days delinquent.....	100.00	100.0

Effective January 1, 2002, the Corporation amended its policy for calculating reserves on the loan portfolio by classifying the credit risk of the portfolio into eight categories compared to six at December 31, 2001. Classes one through four represent varying degrees of pass rated risk credits, or minimal credit risk, with minimum and maximum rates of .25% to 1.10% for class one, .60% to 1.80% for class two, .85% to 2.30% for class three and 1.35% to 3.10% for class four. Classes five (special mention), six (substandard), seven (doubtful) and eight (loss), mirror regulatory definitions and are consistent between all commercial loan types. Classes five through eight are subject to minimum and maximum rates of 5.0% to 10.0% for class five, 10.0% to 20.0% for class six, 50.0% to 100.0% for class seven and 100.0% for class eight.

Other changes include the minimum and maximum range for reserve percentages for consumer auto loans at 1.75% to 2.50%, consumer home equity loans .75% to

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1.50%, all other consumer loans 2.75% to 3.50% and current Tax saver credit card loans .75% to 1.50%. Also, due to the increase in the size of the small business loan portfolio, such loans have been broken out from consumer loans and are subject to new reserve percentages. The minimum and maximum ranges are 2.0% to 4.0% for one through four rated risk credits, 2.0% to 10.0% for five rated risk credits, 30.0% to 50.0% for six rated risk credits and 100.0% for seven and eight rated risk credits. These changes were designed to more accurately reflect the inherent risk in the Corporation's loan portfolio and the current economic environment.

### Allowance for Losses on Loans

The allowance for loan losses is based upon management's continuous evaluation of the collectibility of outstanding loans which takes into consideration such factors as changes in the composition of the loan portfolio and economic and business conditions that may affect the borrower's ability to pay, credit quality and delinquency trends, regular examinations by the Corporation's credit review group of specific problem loans and of the overall portfolio quality and real estate market conditions in the Corporation's lending areas.

Management determines the elements of the allowance through two methods. The first valuation process is the analysis of specific loans for individual impairment. This impairment is measured according to the provisions of Statements of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" and No. 118, "Accounting by Creditors for Impairment of a Loan--Income Recognition and Disclosures." Management applies specific monitoring policies and procedures that vary according to the relative risk profile and other characteristics of the loans within the various loan portfolios. Management completes periodic specific credit evaluations on commercial real estate, commercial operating, and agricultural loans and loan relationships with committed balances in excess of \$1.0 million. Management reviews these loans to assess the ability of the borrower to service all principal and interest obligations and, as a result, may adjust the risk grade accordingly and the corresponding classification. Loans and loan relationships in these portfolios which possess, in management's estimation, potential or well defined weaknesses which could effect the full collection of the Corporation's contractual principal and interest are evaluated under more stringent reporting and oversight procedures. These specific loans are classified as either special mention, substandard, doubtful or loss. The loans classified as doubtful or loss are allocated a specific allowance equal to 100% of the amount of the loan.

The second valuation process is determining the estimated allowance is based on minimum and maximum range percentages applied to each of the Corporation's pools of outstanding loan portfolios. The Corporation's residential, consumer and credit card portfolios are relatively homogenous. Generally, no single loan is individually significant in terms of its size or potential loss. Therefore, management reviews these portfolios by analyzing their performance as a specific pool against which management estimates an allowance for impairment. Management's determination of the level of the reserve within the minimum and maximum percentages for these homogenous pools rests upon various judgments and assumptions used to determine the impairment related to the risk characteristics of the specific portfolio pools. The minimum and maximum range percentages are evaluated at least on a quarterly basis for appropriateness based on historical write-offs, delinquency trends, economic conditions and other factors.

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The Corporation's policy is to charge-off loans or portions thereof against the allowance for loan losses in the period in which loans or portions thereof are determined to be uncollectable. A majority of the Corporation's loans are collateralized by residential or commercial real estate. Therefore, the collectibility of such loans is susceptible to changes in prevailing real estate market conditions and other factors which can cause the fair value of the collateral to decline below the loan balance. When the Corporation records charge-offs on these loans, it also begins the foreclosure process of taking possession of the real estate which served as collateral for such loans. Recoveries of loan charge-offs generally occur only when the loan deficiencies are completely cured. Upon foreclosure and conversion of the loan into real estate owned, the Corporation may realize income to real estate operations through the disposition of such real estate when the sale proceeds exceed the carrying value of the real estate.

Although management believes that the Corporation's allowance for loan losses is adequate to reflect the risk inherent in its portfolios, there can be no assurance that the Corporation will not experience increases in its nonperforming assets, that it will not increase the level of its allowances in the future or that significant provisions for losses will not be required based on factors such as deterioration in market conditions, changes in borrowers' financial conditions, delinquencies and defaults. In addition, regulatory agencies review the adequacy of the allowance for losses on loans on a regular basis as an integral part of their examination process. Such agencies may require additions to the allowance based on their judgments of information available to them at the time of their examinations.

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The following table sets forth the activity in the Bank's allowance for loan losses for the periods as indicated:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	1999	1998
(Dollars in Thousands)					
Allowance for losses on loans at beginning of year.....	\$ 83,439	\$ 70,556	\$ 80,419	\$ 64,757	\$ 60,929
Loans charged-off:					
Single-family residential.....	(2,405)	(909)	(1,874)	(2,542)	(2,838)
Multi-family residential and commercial real estate.....	(1,054)	(2,564)	(1,938)	(71)	--
Consumer and other.....	(21,615)	(13,435)	(20,350)	(13,147)	(11,319)
Loans charged-off.....	(25,074)	(16,908)	(24,162)	(15,760)	(14,157)
Recoveries:					
Single-family residential.....	6	9	81	210	254
Multi-family residential and commercial real estate.....	--	--	5	--	2,822
Consumer and other.....	5,312	2,539	5,747	3,464	1,740
Recoveries.....	5,318	2,548	5,833	3,674	4,816

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Net loans charged-off.....	(19,756)	(14,360)	(18,329)	(12,086)	(9,341)	(
Provision charged to operations.....	38,945	27,854	13,760	12,400	13,853	
Activity of combining companies						
to convert to June 30 fiscal year....	--	--	--	--	390	
Allowances acquired in acquisitions...	--	--	--	17,307	1,273	
Change in estimate of allowance for						
bulk purchased loans.....	(172)	(87)	(5,294)	(1,959)	(2,324)	
Charge-off to allowance						
for bulk purchased loans.....	--	(28)	--	--	(23)	
Charge-off to allowance						
on sale of securitized loans.....	(5)	(496)	--	--	--	
	-----	-----	-----	-----	-----	-----
Allowance for losses on loans						
at end of year.....	\$102,451	\$ 83,439	\$ 70,556	\$ 80,419	\$ 64,757	\$
	=====	=====	=====	=====	=====	=====
Ratio of net loans charged-off to						
average loans outstanding during the						
period.....	.22%	.14%	.19%	.14%	.12%	
	===	===	===	===	===	

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Investment Activities

The Corporation's general policy is to invest primarily in short-term liquid assets in compliance with regulatory requirements. As of December 31, 2001, the Corporation had total average liquid assets of \$2.1 billion, which consisted of \$221.4 million in cash and \$1.9 billion in agency-backed securities. The Corporation's liquidity ratio was 15.42% as of December 31, 2001. See "Regulation -- Liquidity Requirements." The Corporation's management objective is to maintain liquidity at a level sufficient to assure adequate funds, taking into account anticipated cash flows and available sources of credit, to allow future flexibility to meet withdrawal requests, to fund loan commitments, to maximize income while protecting against credit risks and to manage the repricing characteristics of the Corporation's assets and liabilities. Such liquid funds are managed in an effort to produce the highest yield consistent with maintaining safety of principal. The relative size and mix of investment securities in the Corporation's portfolio are based on management's judgment compared to the yields and maturities available on other investment securities. The Corporation emphasizes low credit risk in selecting investment options.

The following table sets forth the carrying value of the Corporation's investment securities and short-term cash investments as of the dates indicated as follows:

	December 31,		June 30,	
	2001	2000	2000	1999
	-----			
	(In Thousands)			
U.S. Treasury and other Government agency obligations	\$ 848,131	\$534,502	\$894,099	\$833,957
Obligations of states and political subdivisions.....	179,593	141,363	51,646	54,450
Other securities.....	122,621	95,272	47,422	58,164
	-----	-----	-----	-----
Total investment securities.....	1,150,345	771,137	993,167	946,571
Interest-earning cash on deposit and federal funds...	590	1,283	1,086	39,585

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Total Investments.....	\$1,150,935	\$772,420	\$994,253	\$986,156
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The following table sets forth the scheduled maturities, market values and weighted average yields for the Corporation's investment securities at December 31, 2001:

	One Year or Less	Over One Within Five Years	Over Five Within Ten Years	More Ten			
	Amortized Cost	Average Yield	Amortized Cost	Average Yield	Amortize Cost		
(Dollars in Thousands)							
U.S. Treasury and other Government agency obligations.....	\$--	-- %	\$131,004	5.85%	\$635,100	5.48%	\$ 80,691
States and political subdivisions.	950	4.54	18,125	6.32	17,097	5.31	141,287
Other debt securities.....	--	--	52,452	6.77	29,961	6.68	36,059
Total.....	\$950	4.54%	\$201,581	6.13%	\$682,158	5.53%	\$258,037

Average  
Yield

U.S. Treasury and other Government agency obligations.....	5.28%
States and political subdivisions.	5.39
Other debt securities.....	7.03
Total.....	5.48%

For further information regarding the Corporation's investment securities, see Note 2 to the Consolidated Financial Statements under Item 8 of this Report.

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Sources of Funds

General

Deposits have historically been the major source of the Corporation's funds

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for lending and other investment purposes. In addition to deposits, the Corporation derives funds from principal and interest repayments on loans and mortgage-backed securities, sales of loans, FHLB advances, prepayment and maturity of investment securities, and other borrowings. At December 31, 2001, deposits made up 54.0% of total interest-bearing liabilities compared to 67.3% at December 31, 2000, and 58.2% at June 30, 2000. Deposit levels are significantly influenced by general interest rates, economic conditions and competition. Other borrowings, primarily FHLB advances, are utilized to compensate for any decreases in the normal or expected inflow of deposits.

Deposits

The Corporation's deposit strategy is to emphasize retail branch deposits through extensive marketing efforts and product promotion, such as by offering a variety of checking accounts and deposit programs to satisfy customer needs. The Corporation has increased its non-interest bearing negotiable order of withdrawal ("NOW") accounts and plans to increase such non-interest bearing accounts in the future. In addition, the Corporation intends to continue pricing its certificates of deposit products at rates that minimize the Corporation's total costs of funds. The competition for certificates of deposit is very strong in a market of shrinking funds as individuals continually seek the most attractive investment alternatives available. Rates on deposits are priced based on investment opportunities as the Corporation attempts to control the flow of funds in its deposit accounts according to its business objectives and the cost of alternative sources of funds.

The Corporation's core deposits (NOW accounts, money market accounts and savings or passbook accounts) increased \$133.5 million to \$3.4 billion at December 31, 2001, compared to \$3.3 billion at December 31, 2000. The core deposits increased even though the Corporation experienced an outflow of \$171.7 million from the 34 branches sold in 2001. Non-interest bearing NOW accounts totaled \$699.9 million at December 31, 2001, compared to \$562.4 million at December 31, 2000.

Fixed-term, fixed-rate certificates of deposit at December 31, 2001, represented 46.2% (or \$3.0 billion) of total deposits compared to 57.0% (or \$4.4 billion) of total deposits at December 31, 2000. The Corporation offers certificate accounts with terms ranging from one month to 120 months. The net decrease totaling \$1.4 billion in certificates of deposits comparing December 31, 2001, to December 31, 2000, is due primarily to the Corporation's planned run-off of certificates of deposit according to the Corporation's business plan, including a reduction in brokered deposits totaling \$269.2 million, and the sale of certificates of deposit totaling \$274.5 million due to the 34 branches sold in 2001.

For additional information on the Corporation's deposits, see Note 11 to the Consolidated Financial Statements under Item 8 of this Report.

The following table sets forth the balances and percentages of the various types of deposits offered by the Corporation at the dates indicated and the change in the amount of deposits between such dates:

December 31, 2001			December 31, 2000			
Amount	% of Deposits	Increase (Decrease)	Amount	% of Deposits	Increase (Decrease)	Amount



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(Dollars in Thousands)

Passbook accounts.....	\$1,939,596	30.3%	\$ 78,522	\$1,861,074	24.2%	\$ 285,694	\$1,575,38
NOW accounts.....	1,198,646	18.7	132,676	1,065,970	13.8	37,330	1,028,64
Market rate savings....	304,620	4.8	(77,724)	382,344	5.0	(148,973)	531,31
Certificates of deposit	2,953,660	46.2	(1,431,438)	4,385,098	57.0	189,935	4,195,16
Total deposits.....	\$6,396,522	100.0%	\$(1,297,964)	\$7,694,486	100.0%	\$ 363,986	\$7,330,50

June 30, 1999

	Amount	% of Deposits	Increase (Decrease)
Passbook accounts.....	\$1,137,282	14.9%	\$ 146,286
NOW accounts.....	1,036,921	13.5	156,920
Market rate savings....	909,233	11.9	268,746
Certificates of deposit	4,571,979	59.7	525,256
Total deposits.....	\$7,655,415	100.0%	\$1,097,208

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The following table shows the composition of average deposit balances and average rates for the periods as indicated:

	Year Ended		Six Months Ended		Year Ended June 30,			
	December 31, 2001		December 31, 2000		2000		1999	
	Average Balance	Avg. Rate	Average Balance	Avg. Rate	Average Balance	Avg. Rate	Average Balance	Avg. Rate
(Dollars in Thousands)								
Passbook accounts.....	\$1,958,022	4.73%	\$1,703,299	5.34%	\$1,320,996	4.48%	\$1,125,632	3.70%
NOW accounts.....	1,119,862	.37	1,031,255	.61	1,041,483	.71	1,020,345	1.20
Market rate savings....	335,798	2.77	448,043	3.82	774,660	4.01	745,265	3.62
Certificates of deposit	3,709,030	5.51	4,283,327	5.88	4,295,975	5.31	4,497,729	5.38
Average deposit accounts.....	\$7,122,712	4.36%	\$7,465,924	4.90%	\$7,433,114	4.38%	\$7,388,971	4.37%

The following table sets forth the Corporation's certificates of deposit (fixed maturities) classified by rates at the periods as indicated:

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Rate	December 31,		June 30,	
	2001	2000	2000	1999
(In Thousands)				
Less than 2.00%.....	\$ 45,207	\$ 1,968	\$ --	\$ --
2.00%--2.99%.....	562,840	78	7,685	6,555
3.00%--3.99%.....	537,808	6,119	6,740	73,342
4.00%--4.99%.....	825,086	583,156	771,419	1,816,539
5.00%--5.99%.....	611,563	1,251,274	2,007,819	2,310,800
6.00%--6.99%.....	257,613	2,313,213	1,328,741	307,487
7.00%--7.99%.....	112,885	227,833	70,974	53,311
8.00% and over.....	658	1,457	1,785	3,945
Certificates of deposit	\$2,953,660	\$4,385,098	\$4,195,163	\$4,571,979

The following table presents the outstanding amount of certificates of deposit in amounts of \$100,000 or more by time remaining until maturity at the periods as indicated:

Maturity Period	December 31,		June 30,	
	2001	2000	2000	1999
(In Thousands)				
Three months or less	\$256,828	\$353,172	\$208,258	\$482,996
Over three through six months.	69,244	222,913	117,680	124,793
Over six through twelve months	87,912	279,053	254,141	143,127
Over twelve months.....	70,136	61,388	113,341	41,427
Total.....	\$484,120	\$916,526	\$693,420	\$792,343

Borrowings

The Corporation has also relied upon other borrowings, primarily advances from the FHLB, as additional sources of funds. The maximum amount of FHLB advances which the FHLB will advance for purposes other than meeting deposit withdrawals fluctuates from time to time in accordance with federal regulatory policies.

The Corporation is required to maintain an investment in FHLB stock in an amount equal to the greater of 1.0% of the aggregate unpaid loan principal of the Corporation's loans secured by home mortgage loans, home purchase contracts

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and similar obligations, or 5.0% of advances from the FHLB to the Corporation. The Corporation is also required to pledge such stock as collateral for FHLB advances. In addition to this collateral requirement, the Corporation is required to pledge additional collateral which may be unencumbered whole residential first mortgage loans with an aggregate unpaid principal amount equal to 158.0% of the Corporation's total outstanding FHLB advances. Alternatively, the Corporation can pledge 90.0% of the market value of U.S. government or U.S. government agency guaranteed securities, including mortgage-backed securities, as collateral for the outstanding FHLB advances. Pursuant to this requirement, as of December 31, 2001, the Corporation had pledged \$3.7 billion of its real estate loans and \$516.5 million of its mortgage backed securities and held FHLB stock totaling \$253.9 million.

At December 31, 2001, the Corporation had advances totaling \$4.9 billion from the FHLB at interest rates ranging from 1.78% to 7.69% and at a weighted average rate of 4.76%. At December 31, 2000, and June 30, 2000, such advances from the FHLB totaled \$3.6 billion and \$5.0 billion, respectively, at weighted average rates of 6.41% and 5.98%. Fixed-rate advances totaling \$1.7 billion at December 31, 2001, with a weighted average rate of 5.29% are convertible into adjustable-rate advances at the option of the FHLB with call dates ranging from January 2002 to March 2003. Such convertible advances all have scheduled maturities due over five years.

Set forth below is certain information relating to the Corporation's securities sold under agreements to repurchase and FHLB advances at the dates and for the periods indicated:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
	-----			
	(Dollars in Thousands)			
<b>Repurchase Agreements:</b>				
Balance at end of year.....	\$ 201,912	\$ 6,905	\$ 33,379	\$ 128,514
Maximum month-end balance.....	\$ 201,912	\$ 33,411	\$ 132,432	\$ 334,294
Average balance.....	\$ 82,215	\$ 18,692	\$ 69,763	\$ 209,111
Weighted average interest rate during the year	5.32%	4.98%	5.62%	5.94%
Weighted average interest rate at end of year.	4.30%	4.91%	4.99%	5.72%
<b>FHLB Advances:</b>				
Balance at end of year.....	\$4,928,075	\$3,565,465	\$5,049,582	\$3,632,241
Maximum month-end balance.....	\$4,928,075	\$5,180,560	\$5,049,582	\$3,709,348
Average balance.....	\$4,265,468	\$4,883,700	\$4,373,510	\$3,000,837
Weighted average interest rate during the year	5.49%	6.10%	5.51%	5.26%
Weighted average interest rate at end of year.	4.76%	6.41%	5.98%	5.05%

For additional information on the Corporation's FHLB advances, securities sold under agreements to repurchase and other borrowings, see Notes 12 and 13 to the Consolidated Financial Statements under Item 8 of this Report.

### Customer Services

Retail management aggressively markets the Bank's various checking and loan products since these are the principal entry points for consumers seeking a banking relationship. The Corporation's goal is to become the new customer's primary bank so that the opportunity is there immediately and over time to cross-sell the Bank's numerous services to develop profitable household

relationships. Accordingly, management continues to update the data processing equipment within the branch operations to provide a cost-effective and efficient delivery of

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services to the Bank's customers. Management has also been proactive in the implementation of new consumer-oriented technologies, including online banking and bill-paying through the Bank's web sight at [www.comfedbank.com](http://www.comfedbank.com). Management continues to strive to provide customers with the ability to bank when, where and how they choose. The Corporation initiated a full-service cash management program in the fourth quarter of 2001 to further develop the Bank's commercial banking relationships. The Bank utilizes an internet-based cash management tool providing business owners access to full-service electronic banking. Services of this program, among others, include funds transfer, debit of consumer accounts, electronic payment of vendors, payroll direct deposits and wire transfers. In addition to online banking, the Bank offers customers the ability to bank in person at our free-standing branch offices and supermarket locations, many of which offer extended weekday and weekend hours; by telephone, utilizing our 24-hour AccessNow automated customer service system tied to extended-hour operator availability; and by ATMs through the Bank's proprietary network and links to other national and international ATM services. Additional information about the Bank's competitive products can be obtained from the Bank's web site.

#### Subsidiaries

The Bank is permitted to invest an amount equal to 2.0% of its consolidated regulatory assets in capital stock and secured and unsecured loans in its service corporations, and an amount equal to an additional 1.0% of its consolidated regulatory assets when such additional investment is used for community development purposes. In addition, federal savings institutions meeting regulatory capital requirements and certain other tests may invest up to 50.0% of their regulatory core capital in conforming first mortgage loans to service corporations. Under such limitations, at December 31, 2001, the Bank was authorized to invest up to \$380.2 million in the stock of, or loans to, service corporations (based upon the 3.0% limitation). As of December 31, 2001, the Bank's investment in capital stock in its service corporations and their wholly-owned subsidiaries was \$8.4 million.

Regulatory capital standards also contain a provision requiring that in determining capital compliance all savings associations must deduct from capital the amount of all post April 12, 1989, investments in and extensions of credit to subsidiaries engaged in activities not permissible for national banks. Currently, the Bank has two subsidiaries (Commercial Federal Service Corporation and First Savings Investment Corporation) engaged in activities not permissible for national banks. Investments in such subsidiaries must be 100% deducted from capital. See "Regulation -- Regulatory Capital Requirements." At December 31, 2001, the total investment in such subsidiaries was \$8.0 million which was deducted from capital. Capital deductions are not required for investment in subsidiaries engaged in non-national bank activities as agent for customers rather than as principal, subsidiaries engaged solely in mortgage banking activities, and certain other exempted subsidiaries.

The Bank is also required to give the FDIC and the Director of OTS 30 days prior notice before establishing or acquiring a new subsidiary, or commencing any new activity through an existing subsidiary. Both the FDIC and the Director of OTS have authority to order termination of subsidiary activities determined to pose a risk to the safety or soundness of the institution.

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At December 31, 2001, the Bank had twelve wholly-owned subsidiaries, five of which own and operate certain real estate properties of the Bank. With the exception of the two real estate subsidiaries discussed above, these subsidiaries are considered engaged in permissible activities and do not require deductions from capital. CFMC was approved by the OTS in 1994 to be classified as an "operating subsidiary" and as such, CFMC ceased to be subject to the regulatory investment limitation in service corporations. The remaining wholly owned subsidiaries, exclusive of CFMC, are classified as service corporations. Descriptions of the principal active subsidiaries of the Bank follow.

See Exhibit 21 "Subsidiaries of the Corporation" herein for a complete listing of all subsidiaries of the Corporation.

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### Commercial Federal Mortgage Corporation ("CFMC")

CFMC is a full-service mortgage banking company. The Corporation's real estate lending, secondary marketing, mortgage servicing and foreclosure activities are conducted primarily through CFMC. At December 31, 2001, CFMC serviced 51,000 loans for the Bank and 133,400 loans for others. See "Lending Activities -- Loan Servicing for Other Institutions."

### Commercial Federal Investment Services, Inc. ("CFIS")

CFIS offers customers discount brokerage services in 46 of the Corporation's branch offices. CFIS provides investment advice and access to all major stock, bond, mutual fund, and option markets through a third party registered broker-dealer, who provides all support functions either independently or through affiliates.

### Commercial Federal Insurance Corporation ("CFIC")

CFIC serves as a full-service independent insurance agency, offering a full line of homeowners, commercial (including property and casualty), health, auto and life insurance products. Additionally, a wholly-owned subsidiary of CFIC provides reinsurance on credit life and disability policies written by an unaffiliated carrier for consumer loan borrowers of the Corporation.

### Commercial Federal Service Corporation ("CFSC")

CFSC was formed primarily to develop and manage real estate, principally apartment complexes located in eastern Nebraska, directly and through a number of limited partnerships. Subsidiaries of CFSC act as general partner and syndicator in many of the limited partnerships. Under the capital regulations previously discussed, the Bank's investments in and loans to CFSC are fully excluded from regulatory capital. See "Regulation -- Regulatory Capital Requirements."

### REIT Holding Company ("REIT")

During fiscal year 2000, a real estate investment trust was formed to hold mortgage loan participation interests. All earnings from the REIT are derived from loan participation interests acquired from the Bank.

### Employees

At December 31, 2001, the Corporation and its wholly-owned subsidiaries had 2,800 employees. The Corporation provides its employees with a comprehensive

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benefit program, including basic and major medical insurance, dental plan, a deferred compensation 401(k) plan, life insurance, accident insurance and short and long-term disability coverage. The Corporation also offers discounts on loan fees to its employees who qualify based on term of employment (except that no preferential rates or terms are offered to executive officers and senior management). The Corporation considers its employee relations to be good.

### Competition

The Corporation faces strong competition in the attraction of deposits and in the origination of real estate, consumer and commercial loans. Its most direct competition for savings deposits has come historically from commercial banks and from thrift institutions located in its primary market areas. The Corporation's primary market area for savings deposits includes Colorado, Iowa, Nebraska, Kansas, Oklahoma, Missouri and Arizona and, for loan originations, includes Colorado, Iowa, Nebraska, Kansas, Oklahoma, Missouri, Arizona and Las Vegas, Nevada (primarily residential construction lending). Management believes that the Corporation's extensive branch network has enabled the Corporation to compete effectively for deposits and loans against other financial institutions. The Corporation has been able to attract savings deposits primarily by offering depositors a wide variety of deposit accounts, convenient branch locations, a full range of financial services and competitive rates of interest.

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The Corporation's competition for real estate, consumer and commercial loans comes principally from other thrift institutions, mortgage banking companies, commercial banks, insurance companies and other institutional lenders. The Corporation competes for loans principally through the efficiency and quality of the service provided to borrowers and the interest rates and loan fees charged.

### Regulation

#### General

The Bank must comply with various regulations of both the OTS and the FDIC. The Bank's lending activities and other investments must comply with federal statutory and regulatory requirements. The Bank must also comply with the reserve requirements of the Federal Reserve Board. This supervision and regulation is intended primarily for the protection of the SAIF and depositors. Both the OTS and the FDIC have extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies regarding the classification of assets and the establishment of adequate loan loss reserves. The OTS regularly examines the Bank and prepares reports to the Board of Directors of the Bank regarding any deficiencies. The Bank must also file reports with the OTS and the FDIC concerning its activities and financial condition and must obtain regulatory approval before engaging in certain transactions.

As a savings and loan holding company, the Corporation is also subject to the OTS's regulation, examination, supervision and reporting requirements. Certain of these regulatory requirements are referred to within this "Regulation" section or appear elsewhere in this Report.

#### The Gramm-Leach-Bliley Act

On November 12, 1999, the Gramm-Leach-Bliley Act (the "GLB Act") was signed into law. Effective March 11, 2000, the GLB Act authorized affiliations between

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banking, securities and insurance firms and authorized bank holding companies and national banks to engage in a variety of new financial activities. The GLB Act, however, prohibits future affiliations between existing unitary savings and loan holding companies, like the Corporation, and firms that are engaged in commercial activities and prohibits the formation of new unitary holding companies.

The GLB Act imposed new privacy requirements on financial institutions. Financial institutions are generally prohibited from disclosing customer information to non-affiliated third parties unless the customer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are also required to disclose their privacy policies to customers annually. Financial institutions, however, must comply with state law if it is more protective of customer privacy than the GLB Act.

The GLB Act imposes certain burdens on the Corporation's operations. From a competitive environment perspective, the GLB Act reduces the range of companies with which the Corporation may affiliate, although the Act may facilitate affiliations with companies in the financial services industry.

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Regulatory Capital Requirements

At December 31, 2001, the Bank exceeded all minimum regulatory capital requirements mandated by the OTS. The following table sets forth information relating to the Bank's regulatory capital compliance at December 31, 2001:

	Actual	Requirement
	-----	-----
	(Dollars in Thousands)	
Bank's stockholder's equity.....	\$ 854,180	
Add accumulated losses on certain available for sale securities and cash flow hedges, net.....	51,765	
Less intangible assets.....	(191,450)	
Less investments in non-includable subsidiaries.....	(7,961)	
	-----	
Tangible capital.....	\$ 706,534	
	=====	
Tangible capital to adjusted assets (1).....	5.58%	1.50%
	=====	=====
Tangible capital.....	\$ 706,534	
Plus certain restricted amounts of other intangible assets.....	3,236	
	-----	
Core capital (Tier 1 capital).....	\$ 709,770	
	=====	
Core capital to adjusted assets (2).....	5.60%	3.00%
	=====	=====
Core capital.....	\$ 709,770	
Less equity investments and other assets required to be deducted.....	(1,102)	
Plus qualifying subordinated debt.....	50,000	
Plus unrealized gains on available for sale equity securities.....	102	
Plus qualifying loan loss allowances.....	91,943	
	-----	
Risk-based capital (Total capital).....	\$ 850,713	
	=====	
Risk-based capital to risk-weighted assets (4).....	11.38%	8.00%

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- (1) Based on adjusted total assets totaling \$12,669,688.
  - (2) Based on adjusted total assets totaling \$12,672,924.
  - (3) This is the minimum percentage requirement for institutions that are not anticipating or experiencing significant growth and have well-diversified risks, including minimal interest rate risk exposure, excellent asset quality, high liquidity and stable and sufficient earnings. For all other institutions the minimum required ratio is 4.00%.
  - (4) Based on risk-weighted assets totaling \$7,474,704.

The Federal Deposit Insurance Corporation Improvement Act of 1991 established five regulatory capital categories: well-capitalized, adequately-capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized; and authorized banking regulatory agencies to take prompt corrective action with respect to institutions in the three undercapitalized categories. These corrective actions become increasingly more stringent as an institution's regulatory capital declines. At December 31, 2001, the Bank exceeded the minimum requirements for the well-capitalized category as shown in the following table:

	Tier 1 Capital to Adjusted Total Assets	Tier 1 Capital to Risk- Weighted Assets	Total Capital to Risk- Weighted Assets
	-----	-----	-----
Percentage of adjusted assets.....	5.60%	9.50%	11.38%
Minimum requirements to be classified well-capitalized	5.00%	6.00%	10.00%

Under OTS capital regulations, the Bank must maintain "tangible" capital equal to 1.5% of adjusted total assets, "core" or "Tier 1" capital equal to 3.0% of adjusted total assets and "total" or "risk-based" capital (a combination of core and "supplementary" capital) equal to 8.0% of risk-weighted assets. In addition, the OTS can impose certain restrictions on savings associations that have a total risk-based capital ratio that is less than

8.0%, a ratio of Tier 1 capital to risk-weighted assets of less than 4.0% or a ratio of Tier 1 capital to adjusted total assets of less than 4.0% (or 3.0% if the institution is rated a Composite 1 under the regulatory CAMELS examination rating system).

Tangible capital is defined as common shareholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries and certain nonwithdrawable accounts and pledged deposits, less intangible assets, non-mortgage servicing assets, and credit-enhancing interest-only strips above the amount that may be included in core capital. Tangible capital is further reduced by an amount equal to the savings association's debt and equity investments in subsidiaries engaged in activities not permissible for national banks. At December 31, 2001, the Bank had approximately \$8.0 million of debt and equity invested in two subsidiaries which are engaged in activities not permissible for national banks that was



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deducted from capital. See "Business -- Subsidiaries."

Core capital consists of tangible capital plus restricted amounts of certain grandfathered intangible assets, purchased credit card relationships and non-mortgage servicing rights. The Bank's core capital of \$709.8 million at December 31, 2001 did not include any qualifying supervisory goodwill but did include \$3.2 million of restricted amounts of certain intangible assets (core value of deposits).

Risk-based capital is comprised of core capital and supplementary capital. Supplementary capital consists of certain preferred stock issues, nonwithdrawable accounts and pledged deposits that do not qualify as core capital, certain approved subordinated debt, certain other capital instruments, a portion of the Bank's loan loss allowances and a portion of the Bank's unrealized gains on equity securities. The portion of the allowances for loan losses includable in supplementary capital is limited to 1.25% of risk-weighted assets and totaled \$91.9 million at December 31, 2001. Qualifying subordinated debt, issued in the fourth quarter of 2001, is included in supplementary capital and totaled \$50.0 million at December 31, 2001. The portion of the unrealized gain that may be included is limited to a maximum of 45.0% provided the equity securities have readily determinable fair values.

The risk-based capital requirement is measured against risk-weighted assets, which equal the sum of every on-balance-sheet asset and the credit-equivalent amount of every off-balance-sheet item after being multiplied by an assigned risk weight. The risk weights are determined by the OTS and range from 0% for cash to 100% for consumer loans, non-qualifying single-family, multi-family and residential construction loans and commercial real estate loans, repossessed assets and loans more than 90 days past due. OTS capital regulations require savings institutions to maintain minimum total capital, consisting of core capital plus supplementary capital (limited to 100% of core capital), equal to 8.0% of risk-weighted assets.

The OTS requires savings institutions with more than a "normal" level of interest rate risk to maintain additional total capital. A savings institution with a greater than normal interest rate risk is required to deduct from total capital, for purposes of calculating its risk-based capital requirement, an amount (the "interest rate risk component") equal to one-half the difference between the institution's measured interest rate risk and the normal level of interest rate risk, multiplied by the economic value of its total assets. The Bank has determined that, on the basis of current financial data, it will not be deemed to have more than a normal level of interest rate risk under the rule and therefore will not be required to increase its total capital as a result of the rule.

In addition to these standards, the Director of the OTS is authorized to establish higher minimum levels of capital for a savings institution if the Director determines that such institution is in need of more capital in light of the particular circumstances of the institution. The Director of the OTS may treat the failure of any savings institution to maintain capital at or above such level as an unsafe or unsound practice and may issue a directive requiring any savings institution which fails to maintain capital at or above the minimum level required by the Director to submit and adhere to a plan for increasing capital. Such an order may be enforced in the same manner as an order issued by the FDIC.

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The Bank is a member of the FHLB of Topeka, which is one of 12 regional FHLBs. Each FHLB serves as a reserve or central bank for its member institutions within its assigned region. It is funded primarily from funds deposited by financial institutions and proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members in accordance with policies and procedures established by the Board of Directors of the FHLB of Topeka.

As a member of the FHLB of Topeka, the Bank must purchase and maintain shares of capital stock in the FHLB of Topeka in an amount at least equal to the greater of:

- . 1.0% of the Bank's aggregate unpaid principal of its residential mortgage loans, home purchase contracts, and similar obligations at the beginning of each year; or
- . 5.0% of its then outstanding advances (borrowings) from the FHLB.

The Bank was in compliance with this requirement at December 31, 2001, with an investment in FHLB stock totaling \$253.9 million.

### Liquidity Requirements

The OTS issued a final rule effective July 18, 2001, whereby savings associations are only required to maintain sufficient liquidity to ensure their safe and sound operation. The Bank's liquidity ratio was 15.42% at December 31, 2001.

### Qualified Thrift Lender Test

Savings institutions like the Bank are required to satisfy a qualified thrift lender ("QTL") test. To meet the QTL test, the Bank must maintain at least 65.0% of its portfolio assets (total assets less intangible assets, property the Bank uses in conducting its business and liquid assets in an amount not exceeding 20.0% of total assets) in "Qualified Thrift Investments." Qualified Thrift Investments consist primarily of residential mortgage loans and mortgage-backed securities and other securities related to domestic, residential real estate or manufactured housing. The shares of stock the Bank owns in the FHLB of Topeka also qualify as Qualified Thrift Investments as do loans for educational purposes, loans to small businesses and loans made through credit cards or credit card accounts. Certain other types of assets also qualify as Qualified Thrift Investments subject to an aggregate limit of 20.0% of portfolio assets.

If the Bank satisfies the test, it will continue to enjoy full borrowing privileges from the FHLB of Topeka. If it does not satisfy the test it may lose its borrowing privileges and be subject to activities and branching restrictions applicable to national banks. Compliance with the QTL test is measured on a monthly basis and the Bank must meet the test in nine out of every 12 months. As of December 31, 2001, the Bank was in compliance with the QTL test with approximately 78.15% of the Bank's portfolio assets invested in Qualified Thrift Investments.

### Restrictions On Capital Distributions

The OTS limits the payment of dividends and other capital distributions (including stock repurchases and cash mergers) by the Bank. Under these regulations, a savings institution must submit notice to the OTS prior to making a capital distribution if:

- . the association does not qualify for expedited treatment under OTS

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application processing regulations,

- . it would not be well capitalized after the distribution,
- . the distribution would result in the retirement of any of the association's common or preferred stock or debt counted as its regulatory capital, or
- . the association is a subsidiary of a holding company.

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A savings association must file an application to the OTS and obtain its approval prior to paying a capital distribution if:

- . the association does not qualify for expedited treatment under OTS application processing regulations,
- . the association would not be adequately capitalized following the distribution,
- . the association's total distributions for the calendar year exceeds the association's net income for the calendar year to date plus its net income (less distributions) for the preceding two years, or
- . the distribution would otherwise violate applicable law or regulation or an agreement with or condition imposed by the OTS.

At December 31, 2001, the Bank was required to file an application to the OTS prior to paying a capital distribution. During calendar year 2001 the Bank recorded net income of approximately \$105.6 million and made capital distributions totaling \$216.0 million. Total distributions exceeded the Bank's retained net income for calendar year 2001 plus the preceding two years (the "retained net income standard") by \$228.2 million. Despite the above authority, the OTS may prohibit any savings institution from making a capital distribution if the OTS determined that the distribution constituted an unsafe or unsound practice. Furthermore, under the OTS's prompt corrective action regulations the Bank would be prohibited from making any capital distributions if, after making the distribution, the Bank would not satisfy its minimum capital requirements.

### Deposit Insurance

The SAIF insures the Bank's deposit accounts up to applicable regulatory limits. The Bank also has a portion of deposits (approximately 14 %) acquired from acquisitions that are insured by the BIF. The FDIC establishes an assessment rate for deposit insurance premiums which protects the insurance fund and considers the fund's operating expenses, case resolution expenditures, income and effect of the assessment rate on the earnings and capital of SAIF members. The SAIF assessment is based on the capital adequacy and supervisory rating of the institution and is assigned by the FDIC.

The FDIC's assessment schedule for SAIF deposit insurance mandates the assessment rate for well-capitalized institutions with the highest supervisory ratings be reduced to zero and institutions in the lower risk assessment classification be assessed at the rate of .27% of insured deposits. In addition, all institutions are required to pay assessments to help fund interest payments on certain bonds issued by the Financing Corporation. The Financing Corporation assessment rate is reset quarterly. The rates for each of the respective quarters during 2001 were .019 basis points, .0188 basis points, .0184 basis points and .0182 basis points, respectively.

Transactions With Related Parties

Generally, transactions between the Bank and any of its affiliates must comply with Sections 23A and 23B of the Federal Reserve Act. Section 23A limits the extent to which the savings institution or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0% of such institution's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such capital stock and surplus. Savings institutions are also prohibited from making loans to any affiliate that is not engaged in activities permissible to bank holding companies. Section 23B requires that such transactions be on terms as substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. An affiliate of a savings institution is any company or entity that controls, is controlled by or is under common control with the savings institution. In a holding company context, the parent holding company of a savings institution (such as the Corporation) and any companies that are controlled by such parent holding company are affiliates of the savings institution.

Loans to Executive Officers, Directors and Principal Stockholders

Savings institutions are also subject to the restrictions contained in Section 22(h) of the Federal Reserve Act and the Federal Reserve Board's Regulation O thereunder on loans to executive officers, directors and principal

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stockholders. Under Section 22(h), loans to a director, executive officer and to a greater than 10.0% stockholder of a savings institution and certain affiliated interests of such persons, may not exceed, together with all other outstanding loans to such person and affiliated interests, the institution's loans-to-one-borrower limit (generally equal to 15.0% of the institution's unimpaired capital and surplus). Section 22(h) also prohibits the making of loans above amounts prescribed by the appropriate federal banking agency, to directors, executive officers and greater than 10.0% stockholders of a savings institution, and their respective affiliates, unless such loan is approved in advance by a majority of the board of directors of the institution with any "interested" director not participating in the voting. Regulation O prescribes the loan amount (which includes all other outstanding loans to such person) as to which such prior board of director approval is required as being the greater of \$25,000 or 5.0% of capital and surplus (up to \$500,000). Further, Section 22(h) requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons. Section 22(h) also generally prohibits a depository institution from paying the overdrafts of any of its executive officers or directors.

Savings institutions must also comply with Section 22(g) of the Federal Reserve Act and Regulation O on loans to executive officers and the restrictions of 12 U.S.C. Section 1972 on certain tying arrangements and extensions of credit by correspondent banks. Pursuant to Section 22(g) of the Federal Reserve Act, the institution's board of directors must approve loans to executive officers, directors and principal shareholders of the institution. Section 1972 also prohibits a depository institution from extending credit to or offering any other services, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or certain of its affiliates or not obtain services of a competitor of the institution, subject to certain exceptions. Section 1972 also prohibits extensions of credit to executive

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officers, directors, and greater than 10.0% stockholders of a depository institution by any other institution which has a correspondent banking relationship with the institution, unless such extension of credit is on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than the normal risk of repayment or present other unfavorable features.

### Federal Reserve System

Pursuant to current regulations of the Federal Reserve Board, a thrift institution must maintain average daily reserves equal to 3.0% on the first \$41.3 million of transaction accounts, plus 10.0% on the remainder. This percentage is subject to adjustment by the Federal Reserve Board. Because required reserves must be maintained in the form of vault cash or in a non-interest bearing account at a Federal Reserve Bank, the effect of the reserve requirement is to reduce the amount of the institution's interest-earning assets. As of December 31, 2001, the Bank met its reserve requirements.

### Savings And Loan Holding Company Regulation

The Corporation is a registered savings and loan holding company. As such, it is subject to OTS regulations, examinations, supervision and reporting requirements. As a subsidiary of a savings and loan holding company, the Bank is subject to certain restrictions in its dealings with the Corporation and any affiliates.

### Activities Restrictions

Since the Corporation only owns one thrift institution, it is classified as a unitary savings and loan holding company. There are generally no restrictions on the activities of a unitary savings and loan holding company. However, if the Director of the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness or stability of its subsidiary savings institution, the Director of the OTS may impose restrictions to address such risk. If the Corporation were to acquire control of another savings institution, other than through merger or other business combination with the Bank, the Corporation would become a multiple savings and loan holding

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company. In addition, if the Bank fails to meet the QTL test, then the Corporation would also become subject to the activity restrictions applicable to multiple holding companies. A multiple savings and loan holding company may only engage in the following activities:

- . furnishing or performing management services for a subsidiary savings institution;
- . conducting an insurance agency or escrow business;
- . holding, managing, or liquidating assets owned by or acquired from a subsidiary savings institution;
- . holding or managing properties used or occupied by a subsidiary savings institution;
- . acting as trustee under deeds of trust;

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- . those activities authorized by regulation as of March 5, 1987, to be engaged in by multiple holding companies; or
- . those activities authorized by the Federal Reserve Board as permissible for bank holding companies, unless the Director of the OTS by regulation prohibits or limits such activities.

The Corporation would also have to register as a bank holding company and become subject to applicable restrictions unless the Bank requalified as a QTL within one year thereafter. See "Regulation -- Qualified Thrift Lender Test."

### Restrictions On Acquisitions

The Corporation must obtain the prior approval of the OTS before acquiring control of any other savings institution. Except with the prior approval of the Director of the OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25.0% of such company's stock, may also acquire control of any savings institution, other than a subsidiary savings institution, or of any other savings and loan holding company.

The Director of the OTS may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings institutions in more than one state if:

- . the multiple savings and loan holding company involved controls a savings institution which operated a home or branch office in the state of the institution to be acquired as of March 5, 1987;
- . the acquired is authorized to acquire control of the savings institution pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act; or
- . the statutes of the state in which the institution to be acquired is located specifically permit institutions to be acquired by state-chartered institutions or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions).

### Taxation

The Corporation is subject to the provisions of the Internal Revenue Code of 1986, as amended. The Corporation and its subsidiaries, including the Bank, file a consolidated federal income tax return based on a June 30 fiscal year end compared to a December 31 year end for reporting purposes. Consolidated taxable income is determined on an accrual basis. The Internal Revenue Service has completed examination of the Corporation's consolidated federal income tax returns through June 30, 1995, with no effect on the Corporation's results of operations.

The State of Nebraska imposes a franchise tax on all financial institutions. Under the franchise tax, the Bank can not join in the filing of a consolidated return with the Corporation (which is filed separately). The Bank is assessed at a rate of \$.47 per \$1,000 of average deposits. The franchise tax is limited to 3.81% of the Bank's

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consolidated books and records. The Corporation also pays franchise or state income taxes in a number of jurisdictions in which the Corporation or its subsidiaries conduct business. For further information regarding federal income taxes payable by the Corporation, see Note 15 to the Consolidated Financial Statements under Item 8 of this Report.

### ITEM 2. PROPERTIES

At December 31, 2001, the Corporation conducted business through 196 branch offices in eight states: Colorado (44), Iowa (42), Nebraska (41), Kansas (26), Oklahoma (19), Missouri (14), Arizona (6) and Minnesota (4). On October 12, 2000, the Corporation announced a series of branch divestitures as part of its key strategic initiatives. During 2001, twelve branches were consolidated and 34 branches were sold.

At December 31, 2001, the Corporation owned the buildings for 92 of its branch offices and leased the remaining 104 offices under leases expiring (not assuming exercise of renewal options) between January 2002 and April 2048. The Corporation has 236 "Cashbox" ATMs located throughout its eight-state region. At December 31, 2001, the total net book value of land, office properties and equipment owned by the Corporation was \$158.7 million. Management believes that the Corporation's premises are suitable for its present and anticipated needs.

### ITEM 3. LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Corporation, the Bank or any subsidiary is a party or to which any of their property is subject which are expected to have a material adverse effect on the Corporation's financial position. For information on other legal proceedings, see Note 18 to the Consolidated Financial Statements under Item 8 of this Report.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of stockholders during the quarter ended December 31, 2001.

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## PART II

### ITEM 5. MARKET FOR COMMERCIAL FEDERAL CORPORATION'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Corporation's common stock is traded on the New York Stock Exchange under the symbol "CFB." The following table sets forth the high, low and closing sales prices and dividends declared for the periods indicated for the common stock:

Quarter Ended	Common Stock Price			Dividends Declared
	High	Low	Close	
December 31, 2001.	\$26.40	\$22.15	\$23.50	\$.080
September 30, 2001	28.55	22.12	24.27	.080
June 30, 2001.....	23.40	21.11	23.10	.080
March 31, 2001.....	22.99	19.94	22.30	.070

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December 31, 2000.	20.38	16.06	19.44	.070
September 30, 2000	19.25	16.31	19.13	.070
June 30, 2000.....	17.13	14.81	15.56	.070
March 31, 2000....	16.81	12.19	16.63	.070
December 31, 1999.	20.81	16.25	17.81	.070
September 30, 1999	24.69	18.63	19.63	.065

As of December 31, 2001, there were 45,974,648 shares of common stock issued and outstanding that were held by over 5,500 shareholders of record and 3,232,122 shares subject to outstanding options. The number of shareholders of record does not reflect the persons or entities who hold their stock in nominee or "street" name.

Cash dividends declared for calendar year 2001 totaled \$15.2 million, or \$.31 per common share compared to \$7.6 million, or \$.14 per common share (\$.28 annualized per common share), for the six months ended December 31, 2000. Cash dividends declared for fiscal year 2000 totaled \$15.8 million, or \$.275 per common share, compared to fiscal year 1999 of \$15.1 million. For information regarding the payment of future dividends and any possible restrictions see "MD&A--Liquidity and Capital Resources" under Item 7 of this Report and Note 16 to the Consolidated Financial Statements under Item 8 of this Report.

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ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31, 2001	Six Months Ended December 31, 2000 (1)	Year Ended Jun 2000	1999	19
	(Dollars in Thousands Except Per Share D				
Interest income.....	\$871,374	\$498,732	\$927,690	\$839,354	\$757
Interest expense.....	563,945	344,297	585,549	507,021	477
Net interest income.....	307,429	154,435	342,141	332,333	280
Provision for loan losses.....	(38,945)	(27,854)	(13,760)	(12,400)	(13
Retail fees and charges.....	53,519	25,650	43,230	36,740	30
Loan servicing fees, net.....	3,622	11,521	25,194	22,961	24
Gain (loss) on sales of securities and changes in fair value of derivatives, net.....	15,422	(69,462)	--	4,376	3
Gain (loss) on sales of loans.....	8,739	(18,023)	(110)	3,423	3
Bank owned life insurance.....	13,872	713	--	--	
Real estate operations.....	(6,971)	(4,809)	(88)	(1,674)	1
Other operating income.....	32,184	14,304	33,613	24,189	23
General and administrative expenses (2).....	232,470	148,389	251,931	238,594	206
Amortization core value of deposits.....	7,211	3,903	8,563	8,984	5
Amortization of goodwill.....	8,134	4,250	8,673	6,718	1
Income (loss) before income taxes, extraordinary items and cumulative effect of change in accounting principle.....	141,056	(70,067)	161,053	155,652	139
Income tax provision (benefit).....	43,374	(19,691)	55,269	63,260	52
Income (loss) before extraordinary items and					



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cumulative effect of change in accounting principle.....	97,682	(50,376)	105,784	92,392	87
Extraordinary items, net (3).....	--	--	--	--	
Cumulative effect of change in accounting principle, net (4).....	--	(19,125)	(1,776)	--	
Net income (loss).....	\$ 97,682	\$(69,501)	\$104,008	\$ 92,392	\$ 87
Earnings (loss) per share: (5)					
Income (loss) before extraordinary items and cumulative effect of change in accounting principle.....	\$ 1.93	\$ (.92)	\$ 1.82	\$ 1.54	\$
Extraordinary items, net (3).....	--	--	--	--	
Cumulative effect of change in accounting principle, net (4).....	--	(.35)	(.03)	--	
Net income (loss).....	\$ 1.93	\$ (1.27)	\$ 1.79	\$ 1.54	\$
Dividends declared per common share.....	\$ .310	\$ .140	\$ .275	\$ .250	\$
Other data:					
Net interest rate spread.....	2.61%	2.46%	2.67%	2.85%	
Net yield on interest-earning assets.....	2.62%	2.44%	2.78%	2.99%	
Return on average assets (6).....	.76%	(1.01)%	.77%	.77%	
Return on average equity (6).....	12.23%	(15.30)%	10.85%	9.95%	1
Return on average tangible equity.....	16.30%	(20.15)%	14.52%	12.49%	1
Dividend payout ratio.....	16.06%	n/a	15.36%	16.23%	1
Total number of branches at end of period...	196	241	255	256	

(Continued on next page)

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended December 31, 2000	Year Ended June 30, 1999	Year Ended June 30, 1998
(Dollars in Thousands Except Per Share Data)					
Total assets.....	\$12,901,585	\$12,540,304	\$13,793,038	\$12,775,462	\$10,399,229
Investment securities.....	1,150,345	771,137	993,167	946,571	673,304
Mortgage-backed securities.....	1,829,728	1,514,510	1,220,138	1,282,545	1,091,849
Loans receivable, net.....	8,403,425	8,893,374	10,407,692	9,326,393	7,857,276
Intangible assets.....	191,450	207,427	230,850	252,677	77,186
Deposits.....	6,396,522	7,694,486	7,330,500	7,655,415	6,558,207
Advances from Federal Home Loan Bank.....	4,939,056	3,565,465	5,049,582	3,632,241	2,379,182
Other borrowings.....	520,213	175,343	206,026	353,897	444,968
Stockholders' equity.....	734,654	863,739	987,978	966,883	861,195
Book value per common share.....	15.98	16.23	17.67	16.22	14.67
Tangible book value per common share.....	11.82	12.33	13.54	11.98	13.35
Regulatory capital ratios of the Bank:					
Tangible capital.....	5.58%	6.51%	6.55%	6.97%	7.88%

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Core capital					
(Tier 1 capital).....	5.60%	6.55%	6.59%	7.05%	7.99%
Risk-based capital--.....					
Tier 1 capital.....	9.50%	10.84%	11.74%	12.74%	14.58%
Total capital.....	11.38%	11.84%	12.59%	13.70%	15.49%

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- (1) In 2000, the Corporation changed its year end to December 31 from June 30.
  - (2) Includes a net gain of \$15.6 million for calendar year 2001 classified in exit costs and termination benefits; and net charges from exit costs and termination benefits totaling \$25.8 million and \$3.9 million, respectively, for the six months ended December 31, 2000, and fiscal year 2000; and merger and other nonrecurring expenses totaling \$30.1 million, \$25.2 million and \$38.3 million for fiscal years 1999, 1998 and 1997.
  - (3) Represents the loss on early retirement of debt, net of income tax benefits.
  - (4) Represents the cumulative effect of the change in method of accounting for derivative instruments and hedging activities, net of income tax benefit, for the six months ended December 31, 2000, and for start-up and organizational costs, net of income tax benefit for fiscal year 2000.
  - (5) All periods presented are based on diluted earnings (loss) per share. The conversion of stock options for the six months ended December 31, 2000, is not assumed since the Corporation incurred a loss from operations. As a result, for the six months ended December 31, 2000, the diluted loss per share is computed the same as the basic loss per share.
  - (6) Return on average assets ("ROAA") and return on average stockholders' equity ("ROAE") for the calendar year ended December 31, 2001, are .68% and 10.96%, respectively, excluding the after-tax effect of net nonrecurring income and charges totaling \$10.1 million. ROAA and ROAE for the six months ended December 31, 2000, are .39% and 5.88%, respectively, excluding the after-tax effect of net nonrecurring income and charges totaling \$96.2 million. ROAA and ROAE for fiscal year 2000 are .76% and 10.77% excluding the after-tax effect of net nonrecurring income and charges totaling \$756,000. ROAA and ROAE for fiscal year 1999 are 1.00% and 12.86% excluding the after-tax effect of merger-related and other nonrecurring charges totaling \$27.1 million. ROAA and ROAE for fiscal year 1998 are 1.06% and 13.65% excluding the after-tax effect of merger-related and other nonrecurring charges totaling \$21.5 million. ROAA and ROAE for fiscal year 1997 are .97% and 12.58% excluding the after-tax effect of the nonrecurring expenses totaling \$25.1 million associated with the SAIF special assessment and other charges.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Commercial Federal Corporation (the "Corporation") is a unitary non-diversified savings and loan holding company whose primary asset is Commercial Federal Bank, a Federal Savings Bank (the "Bank"). The Corporation is one of the largest financial institutions in the Midwest and the 8th largest publicly held thrift holding company in the United States. The Bank, with a thrift charter, operates as a community banking institution, offering commercial and consumer banking, mortgage banking, insurance and investment services.

General

At December 31, 2001, the Corporation, headquartered in Omaha, Nebraska, operated 196 branches with 44 located in Colorado, 42 in Iowa, 41 in Nebraska, 26 in Kansas, 19 in Oklahoma, 14 in Missouri, 6 in Arizona and 4 in Minnesota.

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At December 31, 2000, the Corporation had 241 branches in these eight states. To serve its customers, the Corporation conducts community banking operations through its branch network, and loan origination activities through its branches, offices of its wholly-owned mortgage banking subsidiary and a nationwide correspondent network of mortgage loan originators. The Corporation also provides insurance and securities brokerage and other retail financial services.

Operations focus on offering deposits, making loans (primarily consumer, commercial real estate, single-family residential, business lending and agribusiness loans) and providing customers with a full array of financial products and a high level of customer service. The Corporation's retail strategy continues to be centered on attracting new customers and selling both new and existing customers multiple products and services. Additionally, the Corporation continues to build and leverage an infrastructure designed to increase noninterest income. The Corporation's operations are also continually reviewed in order to gain efficiencies to increase productivity and reduce costs.

In August 2000, the Corporation changed its year end to December 31 from June 30. A December 31 year end allows the Corporation to be aligned with the financial industry from a reporting perspective and facilitates comparisons with industry norms. Beginning with this six-month transition period ended December 31, 2000, management implemented a number of key strategic initiatives designed to improve the Corporation's financial performance. These changes continued into 2001, focusing not only on revenue enhancement and cost reduction, but also on an executive management restructuring aimed at designing and implementing changes to build the Corporation's commercial banking business and enhancing shareholder value.

These key initiatives included a complete balance sheet review, a thorough assessment of the Bank's delivery and servicing systems, the sale of an underperforming leasing company and a management restructuring. The balance sheet restructuring was completed during the six months ended December 31, 2000. The remainder of the August 2000 initiatives were completed in 2001. These actions transitioned the Corporation into 2001 with improved operating margins, a more compact and stable balance sheet to generate future growth under all types of operating environments, improved operating efficiencies and a stronger management team.

Net income for the calendar year ended December 31, 2001, was \$97.7 million, or \$1.93 per diluted share. Net income for 2001 includes \$15.6 million (\$10.1 million after-tax, or \$.20 per diluted share) in net gains relating to the completion of the August 2000 initiatives. These net gains are primarily the result of the Corporation realizing pre-tax gains on the sales of 34 branches sold during 2001 partially offset by severance costs and expenses associated with right-sizing branch personnel, expenses to close branches and expenses to exit leasing operations. The Corporation also realized pre-tax gains on the sales of available-for-sale securities totaling \$18.3 million. These net gains were recognized primarily to offset the valuation adjustment losses totaling \$19.1 million in the mortgage servicing rights portfolio as of December 31, 2001.

The Corporation incurred a net loss of \$69.5 million, or \$1.27 loss per diluted share (net loss of \$50.4 million, or \$.92 loss per share, before the cumulative effect of change in accounting principle), for the six months ended December 31, 2000. This net loss reflects the implementation of the key strategic initiatives and the

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implementation of Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). For the six months ended December 31, 2000, implementation of these initiatives resulted in losses and expenses totaling approximately \$112.2 million, or \$77.1 million after-tax (\$1.41 per diluted share). The effect of adopting the provisions of SFAS No. 133 was to record a net charge totaling \$19.1 million, net of income tax benefits of \$10.3 million, or \$.35 per diluted share, as a cumulative effect of a change in accounting principle. See Note 22 "Cumulative Effect of Change in Accounting Principle" to the Consolidated Financial Statements for additional information. Net income for fiscal year 2000 was \$104.0 million, or \$1.79 per diluted share, compared to net income of \$92.4 million, or \$1.54 per diluted share for fiscal year 1999. Fiscal year 2000 net income includes the effect of after-tax charges of \$2.9 million relating to exit costs and termination benefits, an after-tax gain of \$5.4 million from the sale of the corporate headquarters building and a charge totaling \$1.8 million after-tax, representing the effect of the change in accounting for certain start-up costs. Fiscal year 1999 net income was reduced by an after-tax charge of \$27.1 million, or \$.45 per diluted share (\$30.0 million pre-tax) associated primarily with an acquisition and the termination of employee stock ownership plans acquired in the mergers of three financial institutions during fiscal years 1999 and 1998.

### Critical Accounting Policies

The "Management's Discussion and Analysis of Financial Condition and Results of Operations," and disclosures included within this Form 10-K Annual Report, are based on the Corporation's audited consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates the estimates used, including the adequacy of allowances for loan losses, valuation of mortgage-serving rights, and contingencies and litigation. Estimates are based upon historical experience, current economic conditions and other factors that management considers reasonable under the circumstances. These estimates result in judgments regarding the carrying values of assets and liabilities where these values are not readily available from other sources as well as assessing and identifying the accounting treatments of commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions. The following critical accounting policies involve the more significant judgments and assumptions used in the preparation of the consolidated financial statements.

#### Allowance for Losses on Loans

The allowance for loan losses is a valuation allowance for estimated credit losses inherent in the loan portfolio as of the balance sheet date. The allowance for loan losses consists of two elements. The first element is an allocated allowance established for specifically identified loans that are evaluated individually for impairment and are considered to be individually impaired. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Impairment is measured by (i) the present value of expected future cash flows, (ii) the loan's obtainable market price, or (iii) the fair value of the collateral if the loan is collateral dependent (the primary method used by the Corporation). The second element is an estimated allowance established for impairment on each of the Corporation's pools of outstanding loans. See "Provision for Loan Losses" in the MD&A and "Asset Quality" under Item 1 of this Report for additional

information. These estimated allowances are based on several analysis factors including the Corporation's past loss experience, economic and business conditions that may affect the borrowers ability to pay, geographic and industry concentrations, composition of the loan portfolio, credit quality and delinquency trends, regular examinations by the Corporation's credit review group of specific problem loans, the overall portfolio quality and real estate market conditions in the Corporation's lending areas, and known and inherent risks in each of the portfolios. These evaluations are inherently subjective because, while they are based on objective data (delinquency trends, portfolio composition, loan grading and others), it is the interpretation of that data by management that ultimately determines the estimate of the appropriate allowance. Additionally, while the

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allowance attempts to measure the impairment inherent in the loan portfolio at the balance sheet date, its adequacy will ultimately be dependent upon how conditions existing at the balance sheet date impact the loans in the future. Consequently, these estimates require revisions as more information becomes available.

A majority of the Corporation's loans are collateralized by residential or commercial real estate. Therefore, the collectibility of such loans is susceptible to changes in prevailing real estate market conditions and other factors which can cause the fair value of the collateral to decline below the loan balance. When the Corporation records charge-offs on these loans, it also begins the foreclosure process of taking possession of the real estate which served as collateral for such loans. Recoveries of loan charge-offs generally occur only when the loan deficiencies are completely cured. Upon foreclosure and conversion of the loan into real estate owned, the Corporation may realize income to real estate operations through the disposition of such real estate when the sale proceeds exceed the carrying value of the real estate.

Although management believes that the Corporation's allowance for loan losses is adequate to reflect the risk inherent in its portfolios, there can be no assurance that the Corporation will not experience increases in its nonperforming assets, that it will not increase the level of its allowances in the future or that significant provisions for losses will not be required based on factors such as deterioration in market conditions, changes in borrowers' financial conditions, delinquencies and defaults. In addition, regulatory agencies review the adequacy of the allowance for losses on loans on a regular basis as an integral part of their examination process. Such agencies may require additions to the allowance based on their judgments of information available to them at the time of their examinations.

#### Mortgage Servicing Rights

Mortgage servicing rights are established based on the cost of acquiring the right to service mortgage loans or the allocated fair value of servicing rights retained on originated loans sold. The Corporation reports mortgage servicing rights at the lower of amortized cost or fair value. The carrying value of mortgage servicing rights is adjusted by the fair value of any related interest rate floor agreements and possible impairment losses. The fair value of mortgage servicing rights is determined based on the present value of estimated expected future cash flows, using assumptions as to current market discount rates and prepayment speeds. Mortgage servicing rights are stratified by loan type and interest rate for purposes of impairment measurement. Loan types include government, conventional and adjustable-rate mortgage loans. Impairment losses are recognized to the extent the unamortized mortgage servicing rights for each stratum exceed the current fair value of that stratum. Impairment

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losses by stratum are recorded as reductions in the carrying value of the asset through a valuation allowance with a corresponding reduction to loan servicing income. Individual allowances for each stratum are adjusted in subsequent periods to reflect changes in impairment. Valuation allowances totaling \$19.6 million and \$583,000, respectively, were outstanding at December 31, 2001 and 2000. Mortgage servicing rights totaled \$117.2 million at December 31, 2001, compared to \$111.1 million at December 31, 2000.

The determination of the fair value of mortgage servicing rights is an important estimate. Since mortgage servicing rights are not quoted in an active market, management uses valuation models to estimate the fair value. The Corporation uses a software model to compute the fair value. Prepayment speeds are downloaded into the model from an independent market service and adjusted for geographic location and age of the loan. The prepayment speed assumption weighs heavily in determining the fair value of the mortgage servicing rights. On a quarterly basis, the Corporation obtains an independent valuation report for comparison to their software model.

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### Derivative Financial Instruments

Effective July 1, 2000, derivatives are recognized as either assets or liabilities in the consolidated statement of financial condition and measured at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative designated as hedging the exposure to changes in fair value of an asset or liability (referred to as a fair value hedge), any gain or loss associated with the derivative is reported in earnings, along with the change in fair value of the asset or liability being hedged. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change. On the date the Corporation enters into a derivative contract, management must designate the derivative as a hedge of the identified cash flow exposure, fair value exposure or as a "no hedging" derivative.

Proper documentation is a critical aspect pursuant to hedge accounting treatment. The Corporation formally documents all relationships between derivative instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Corporation specifically identifies the asset, liability, firm commitment, or forecasted transaction that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Corporation formally measures effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy. The methods used to measure effectiveness vary depending on the hedging relationship. The fair value of the Corporation's derivatives is determined using various methods depending on the nature of the derivatives such as quotes obtained from independent pricing services, valuation models of independent pricing services with known factors put into the model, or software models utilizing assumptions or data obtained from independent sources.

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### Key Strategic Initiatives

On August 14, 2000, the Board of Directors approved a series of strategic initiatives aimed at improving the overall operations of the Corporation. Key initiatives included:

- . A complete balance sheet review including the disposition of over \$2.0 billion in low-yielding and higher risk investments and residential mortgage loans. The proceeds from these dispositions were to be used to reduce high-cost borrowings, repurchase additional shares of the Corporation's common stock and reinvest any excess in lower risk securities with a predictable income stream.
- . A thorough assessment of the Bank's delivery and servicing systems to ensure the proper channels to achieve the growth potential and to maintain a high level of customer service.
- . The sale of the leasing company acquired as part of a February 1998 acquisition.
- . A management restructuring to further streamline the organization and improve efficiencies as well as the appointment of a new chief operating officer.
- . A program to further strengthen the commercial lending portfolio by actively recruiting new lenders in order to accelerate the growth in loans experienced over the past year, while maintaining credit quality.
- . A change in the Corporation's fiscal year end from June 30 to December 31.
- . An expansion of the Corporation's common stock repurchase program by up to 10% of its outstanding shares, or approximately 5.5 million shares.

Following the balance sheet review, management concluded that the Corporation's balance sheet had an excess of residential mortgage loans and securities with a higher risk profile and sub-optimal spreads resulting in earnings volatility and modest asset returns. Effective July 1, 2000, the Corporation transferred approximately

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\$1.8 billion of held-to-maturity securities to the trading and available for sale portfolios. The transfer of these securities resulted in a pre-tax loss of \$28.4 million recorded on July 1, 2000, as part of the cumulative adjustment of a change in accounting principle. As a result of the balance sheet review and transfer of these securities, during the six months ended December 31, 2000, the Corporation sold investment and mortgage-backed securities totaling \$1.2 billion resulting in a pre-tax loss of \$30.0 million and sold securitized residential loans totaling approximately \$1.6 billion resulting in a pre-tax loss of \$18.2 million. Proceeds from these sales were used to purchase lower-risk, higher-yielding assets, repay advances from the FHLB and repurchase common stock. As a result, as of December 31, 2000, the balance sheet risk was significantly reduced, improving the Corporation's interest rate risk profile and helping to produce improved earnings in the future. The balance sheet restructuring was completed during the six months ended December 31, 2000.

After a review of its branch network, management concluded that the Bank had too many branches in rural and remote locations that were less profitable and didn't fit into the Corporation's plan to cluster branches and centralize administrative functions. Under this initiative, the Corporation closed or

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consolidated 12 branches and sold 34 branches during 2001. The branches were located in Iowa (22), Kansas (11), Missouri (6), Nebraska (3), Oklahoma (3) and Arizona (1). Deposits totaling \$446.3 million were associated with these branch sales. During the year ended December 31, 2001, the Corporation realized net pre-tax gains totaling \$18.3 million relating to the sold branches. These gains were from the premiums received on the sales of the deposits, loans and fixed assets of these branches. Severance costs associated with right-sizing branch personnel and expenses to close branches totaled \$2.0 million. Four branches in Minnesota with deposits totaling approximately \$20.0 million are remaining to be sold as of December 31, 2001. It is anticipated that these four branches will be sold by June 30, 2002. During the six months ended December 31, 2000, the Corporation also recorded a pre-tax charge of \$17.0 million related to exit costs and write-offs of intangible assets associated with these branches.

The leasing operations did not have a strategic fit for the Corporation. The leasing portfolio was reclassified to held for sale during the six months ended December 31, 2000, and totaled \$52.7 million as of December 31, 2000. Adjustment to fair value and additional expenses totaling \$4.6 million were recorded as exit costs and termination benefits during the six months ended December 31, 2000. A substantial portion of the leasing portfolio was sold in February 2001 with the closing of the transaction in April 2001. Additional expenses to finalize this transaction totaling \$754,000 were recorded in the first quarter of 2001.

The management restructuring was completed in 2001 with the appointment of a chief operating officer and chief credit officer. The commercial banking lending operations infrastructure was also completed in 2001.

During the six months ended December 31, 2000, the Corporation expensed \$2.1 million as exit costs and termination benefits related to the outplacement of personnel. These costs consisted of severance, benefits and related professional services. The Corporation also incurred fees totaling \$2.9 million for consulting services during the six months ended December 31, 2000. The consulting services were related to the identification and implementation of these key strategic initiatives.

In November 1999, the Corporation initiated the integration of the Corporation's new data processing system to support community-banking operations. This plan was aimed at decreasing expenses, increasing sustainable growth in revenues, and increasing productivity through the elimination of duplicate or inefficient functions. Major aspects of the plan included 21 branches to be sold or closed, the elimination of 121 positions and the consolidation of the correspondent loan servicing operations. During the six months ended December 31, 2000, the remaining branches were sold or closed with the Corporation realizing a net gain totaling \$2.5 million from the branch sales. These gains were primarily from premiums realized on the sales of deposits, loans and fixed assets. Implementation of the November 1999 plan resulted in charges to exit costs and termination benefits totaling \$3.9 million recorded in fiscal year 2000. Under this plan 121 positions were eliminated with personnel costs consisting of severance, benefits and related professional services totaling approximately \$1.5 million. This plan also included the consolidation of the correspondent loan servicing functions to Omaha, Nebraska from Wichita, Kansas and Denver, Colorado. Direct and incremental costs associated with this part of the plan totaled \$2.4 million.

### Common Stock Repurchases

On May 7, 2001, the Board of Directors authorized the Corporation's fourth



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stock repurchase program since April 1999. This repurchase program consisted of 5,000,000 shares of the Corporation's outstanding common stock to be completed no later than December 31, 2002. In compliance with Nebraska law, all repurchased shares will be cancelled. Repurchases under this program began August 9, 2001, after the Corporation's third repurchase program was completed on August 8, 2001. For the twelve months ended December 31, 2001, the Corporation purchased 7,662,600 shares of its common stock at a total cost of \$180.9 million.

The following table shows the history of the Corporation's common stock repurchases since April 1999:

	Number of Shares	Cost
	-----	-----
	(Dollars in Thousands)	
Authorization on:		
April 28, 1999 (completed December 1999)..	3,000,000	\$ 66,007
December 27, 1999 (completed August 2000)..	3,000,000	46,395
August 14, 2000 (completed August 2001)..	5,500,000	114,102
May 7, 2001 (through December 31, 2001)..	4,201,500	103,439
	-----	-----
Totals.....	15,701,500	\$329,943
	=====	=====

The fourth stock repurchase was completed on January 28, 2002, with the remaining 798,500 shares of common stock purchased at a cost of \$19.5 million. On February 28, 2002, the Board of Directors authorized an additional stock repurchase for 500,000 shares to be completed not later than December 31, 2003.

### Results of Operations

#### Comparison of Results of Operations

Net income for the calendar year ended December 31, 2001, was \$97.7 million, or \$1.93 per diluted share (\$1.95 per basic share). Net income for 2001 includes \$15.6 million (\$10.1 million after-tax, or \$.20 per diluted share) in net gains relating to the August 2000 initiatives. These net gains, recorded as a credit to the expense category "exit costs and termination benefits," are due to the net gains realized on the sales of branches (\$18.3 million pre-tax) partially offset by severance costs associated with right-sizing branch personnel and expenses to close the branches (\$2.0 million pre-tax) and expenses to exit leasing operations (\$754,000 pre-tax). The Corporation also realized pre-tax gains on the sales of available-for-sale securities totaling \$18.3 million. These net gains on these sales were recognized primarily to offset the valuation adjustment losses totaling \$19.1 million in the mortgage servicing rights portfolio as of December 31, 2001. These valuation adjustments, recorded as reductions to loan servicing fees, are due to an increase in loan prepayments resulting from a decrease in interest rates.

A net loss of \$69.5 million, or \$1.27 loss per basic and diluted share, was incurred for the six months ended December 31, 2000. Included in the net loss for the six months ended December 31, 2000, is a loss of \$19.1 million (\$.35 per basic and diluted share) from the cumulative effect of change in accounting principle, net of income tax benefits of \$10.3 million, relating to the adoption of SFAS No. 133. The net decrease in income comparing the year-ago six month period is due to net decreases in total other income of \$94.1 million and net interest income of \$19.5 million, and in net increases of \$21.1 million in

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the provision for loan losses, \$19.5 million in total other expense and \$17.3 million in the cumulative effect of changes in accounting principles. These net decreases to income were partially offset by a net change of \$48.9 million in the income tax provision. The net decrease in total other income included net losses on the sales of securities of \$30.0 million, losses on the termination of interest rate swap agreements of \$38.4 million and loss on the sale of securitized mortgage loans of \$18.2 million. The net increase in the cumulative effect of changes in accounting principles is a result of the adoption of SFAS No. 133 effective July 1, 2000.

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Net income for fiscal year 2000 was \$104.0 million, or \$1.79 per diluted and basic share. These results compare to net income for fiscal year 1999 of \$92.4 million, or \$1.54 per diluted share (\$1.55 per basic share). The increase in net income for fiscal year 2000 compared to 1999 was primarily due to net increases of \$11.8 million and \$8.4 million, respectively, in total other income and net interest income after provision for losses and a net decrease of \$8.0 million in the provision for income taxes. These increases were partially offset by net increases of \$13.3 million in total general and administrative expenses, \$1.5 million in amortization of intangible assets and the cumulative effect of a change in accounting principle totaling \$1.8 million.

See "Ratios" for certain performance ratios of the Corporation for the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999.

### Net Interest Income and Interest Rate Spread

For calendar year 2001, net interest income totaled \$307.4 million, the interest rate spread was 2.61% and the net yield on interest-earning assets was 2.62%. As a comparison, the net interest rate spread and the net yield on interest-earning assets were 2.46% and 2.44%, respectively, for the six months ended December 31, 2000. Net interest income for 2001 was lower compared to the previous twelve-month period ended December 31, 2000, due to the decrease of approximately \$186.6 million in the net-earnings balance (the difference between average interest-bearing liabilities and average interest-earning assets). The Corporation's average balances of interest-earning assets and interest-bearing liabilities decreased in 2001 due mainly to the balance sheet restructuring completed during the six months ended December 31, 2000, and the Corporation's repurchases of its common stock totaling \$180.9 million over the last twelve months. The average balance of interest-earning assets decreased \$849.1 million in 2001 compared to the twelve months ended December 31, 2000; and the average balance of interest-bearing liabilities decreased \$662.5 million over the same period. The increased interest rate spreads and net yield on interest-earning assets are due to (i) the lower interest rate environment in 2001 in which costing liabilities have been repricing downward at a faster rate than earning assets have been repricing, (ii) the continued shift in the asset mix toward higher yielding commercial and consumer loans and (iii) a shift in funding away from certificates of deposit to checking and savings (core deposits). Based on the completion of the balance sheet restructuring, the current mix of interest-earning assets and interest-bearing liabilities and the current interest rate environment, management anticipates a relatively stable margin for the first six months of 2002. However, the future trend in interest rate spreads and net interest income will be dependent upon such factors as the composition and size of the Corporation's interest-earning assets and interest-bearing liabilities, the interest rate risk exposure of the Corporation and the maturity and repricing activity of interest-sensitive assets and liabilities, as influenced by changes in and levels of both short-term and long-term market rates.

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Net interest income totaled \$154.4 million for the six months ended December 31, 2000, compared to \$173.9 million for the six months ended December 31, 1999, a decrease of \$19.5 million, or 11.2%. During the six months ended December 31, 2000 and 1999, interest rate spreads were 2.46% and 2.82%, respectively, a decrease of 36 basis points. The net yield on interest-earning assets was 2.44% and 2.86%, a decrease of 42 basis points over the respective periods. Net interest income decreased for the six months ended December 31, 2000, compared to 1999, due to the compression of the interest rate spreads from the year 2000 rate increases by the Federal Reserve. This compression in the net yield on interest-earning assets was primarily due to the Corporation's interest-bearing liabilities repricing more quickly than the interest-earning assets. The decrease in the interest rate spread was due primarily to a 75 basis point increase in costing liabilities as a result of the rise in short-term interest rates comparing the respective six-month periods and the liability sensitive balance sheet of the Corporation. Total interest expense increased \$62.4 million comparing the six months ended December 31, 2000 to 1999 due to the higher costs of funds and a net increase of \$592.4 million in average interest-bearing liabilities. Total interest income increased \$42.9 million over the same six-month period with a net increase of \$487.6 million in average interest-earning assets. The increase in these average balances was due to net growth in the total loan portfolio (\$630.4 million), primarily in residential mortgage loans and higher-yielding commercial and construction loans. The consumer loan portfolio also experienced moderate growth. This loan growth was funded primarily with FHLB advances. The average balance of advances from the FHLB and the weighted average rate paid on these advances increased \$737.2 million and 91 basis points, respectively, comparing the six months ended December 31, 2000, to the six months ended December 31, 1999.

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Net interest income totaled \$342.1 million for fiscal year 2000 compared to \$332.3 million for fiscal year 1999, an increase of \$9.8 million, or 3.0%. During fiscal years 2000 and 1999, interest rate spreads were 2.67% and 2.85%, respectively. The net yield on interest-earning assets during fiscal years 2000 and 1999 was 2.78% and 2.99%, representing a decrease of 21 basis points comparing fiscal year 2000 to 1999. Net interest income for fiscal year 2000 increased over 1999 due primarily to average interest-earning assets increasing \$1.2 billion to \$12.3 billion for fiscal year 2000 compared to \$11.1 billion for fiscal year 1999. This increase was partially offset by a net increase in average interest-bearing liabilities of \$1.3 billion to \$12.1 billion for fiscal year 2000. The increases in these average balances were due in part to growth in the loan portfolio, primarily residential mortgage loans and commercial real estate loans, and the Midland First Financial Corporation ("Midland") acquisition on March 1, 1999. The loan growth was partially funded with FHLB advances. These net increases in total earning assets and costing liabilities were partially offset by the compression of the interest rate spreads. The interest rate spread decreased 18 basis points in fiscal year 2000 due primarily to a 14 basis point increase in costing liabilities as a result of the rise in short-term interest rates in fiscal year 2000 and the liability sensitive balance sheet of the Corporation.

The following table presents certain information concerning yields earned on interest-earning assets and rates paid on interest-bearing liabilities during and at the end of each of the periods presented:

	For the Year	Six Months	For the Year	At
	Ended	Ended	Ended	

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	Ended December 31, 2001	Ended December 31, 2000	June 30, 2000	1999	December 31, 2001	2000	At J 2000
Weighted average yield on:							
Loans.....	7.81%	7.96%	7.75%	7.85%	7.43%	8.21%	7.87%
Mortgage-backed securities.....	6.49	7.37	6.40	6.25	6.42	6.79	6.56
Investments.....	6.09	7.67	6.89	6.54	5.10	6.82	6.79
Interest-earning assets.....	7.43	7.87	7.52	7.56	6.98	7.89	7.64
Weighted average rate paid on:							
Savings deposits.....	3.11	3.59	3.11	2.80	2.47	3.57	3.32
Other time deposits.....	5.51	5.88	5.31	5.38	4.35	5.95	5.76
Advances from FHLB.....	5.49	6.10	5.51	5.26	4.76	6.41	5.98
Securities sold under agreements to repurchase.....	5.32	4.98	5.62	5.94	4.30	4.91	4.99
Other borrowings.....	6.39	8.08	7.80	8.10	4.33	8.69	8.69
Interest-bearing liabilities.....	4.82	5.41	4.85	4.71	3.97	5.44	5.28
Net interest rate spread.....	2.61%	2.46%	2.67%	2.85%	3.01%	2.45%	2.36%
Net yield on interest-earning assets....	2.62%	2.44%	2.78%	2.99%	2.96%	2.46%	2.50%

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The table below presents average interest-earning assets and average interest-bearing liabilities, interest income and interest expense, and average yields and rates during the periods indicated. The following table includes nonaccruing loans averaging \$96.4 million, \$77.3 million, \$70.5 million and \$63.6 million, respectively, for the calendar year ended December 31, 2001, the six months ended December 31, 2000, and the fiscal years ended June 30, 2000 and 1999 as interest-earning assets at a yield of zero percent:

	Year Ended December 31, 2001			Six Months Ended December 31, 2000		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Interest-earning assets:						
Loans.....	\$ 8,782,321	\$685,480	7.81%	\$10,257,240	\$408,582	7.96%
Mortgage-backed securities.....	1,690,967	109,657	6.49	1,338,706	49,334	7.37
Investments.....	1,251,559	76,237	6.09	1,063,782	40,816	7.67
Interest-earning assets.....	11,724,847	871,374	7.43	12,659,728	498,732	7.87
Interest-bearing liabilities:						
Savings deposits.....	3,413,039	105,992	3.11	3,182,597	57,600	3.59
Other time deposits.....	3,709,030	204,375	5.51	4,283,327	126,979	5.88
Advances from FHLB.....	4,265,468	234,213	5.49	4,883,700	152,317	6.10

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Securities sold under agreements to repurchase.....	82,215	4,374	5.32	18,692	476	4.98
Other borrowings.....	234,669	14,991	6.39	171,525	6,925	8.08
	-----	-----	-----	-----	-----	-----
Interest-bearing liabilities.....	11,704,421	563,945	4.82	12,539,841	344,297	5.41
	-----	-----	-----	-----	-----	-----
Net earnings balance.....	\$ 20,426			\$ 119,887		
	=====			=====		
Net interest income.....		\$307,429			\$154,435	
		=====			=====	
Interest rate spread.....			2.61%			2.46%
			=====			=====
Net yield on interest-earning assets....			2.62%			2.44%
			=====			=====

	1999			
	-----	-----	-----	-----
	Yield/Rate	Average Balance	Interest	Yield/ Rate
	-----	-----	-----	-----
Interest-earning assets:				
Loans.....	7.75%	\$ 8,933,834	\$700,911	7.85%
Mortgage-backed securities.....	6.40	1,231,838	77,039	6.25
Investments.....	6.89	939,179	61,404	6.54
	-----	-----	-----	-----
Interest-earning assets.....	7.52	11,104,851	839,354	7.56
	-----	-----	-----	-----
Interest-bearing liabilities:				
Savings deposits.....	3.11	2,891,242	80,832	2.80
Other time deposits.....	5.31	4,497,729	242,026	5.38
Advances from FHLB.....	5.51	3,000,837	157,787	5.26
Securities sold under agreements to repurchase.....	5.62	209,111	12,419	5.94
Other borrowings.....	7.80	172,379	13,957	8.10
	-----	-----	-----	-----
Interest-bearing liabilities.....	4.85	10,771,298	507,021	4.71
	-----	-----	-----	-----
Net earnings balance.....		\$ 333,553		
		=====		
Net interest income.....			\$332,333	
			=====	
Interest rate spread.....	2.67%			2.85%
	=====			=====
Net yield on interest-earning assets....	2.78%			2.99%
	=====			=====

The net earnings balance decreased \$186.6 million during the year ended December 31, 2001. This decrease is primarily due to the Corporation repurchasing shares of its common stock at a cost of \$180.9 million during 2001 and the impact from the balance sheet restructuring. The Corporation's net earnings balance decreased by \$104.8 million during the six months ended December 31, 2000, compared to the six months ended December 31, 1999. This decrease in the net earnings balance comparing these periods is primarily due to the restructuring of the balance sheet, the repurchases of common stock totaling \$82.8 million over the last twelve months and the funding of the

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\$200.0 million bank owned life insurance ("BOLI") program. The BOLI asset is excluded from the average balance of interest-earning assets and the BOLI related income is recorded in other income.

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The Corporation's net earnings balance decreased \$73.8 million during fiscal year 2000 compared to 1999. The ratio of average interest-earning assets to average interest-bearing liabilities was 102.2% during fiscal year 2000 compared to 103.1% during fiscal year 1999. The decrease in the net earnings balance for fiscal year 2000 compared to 1999 is primarily due to the acquisition of Midland and the repurchase of the Corporation's common stock. Interest-earning average assets for fiscal year 2000 were fully impacted by the \$83.0 million cash outlay to finance the Midland acquisition on March 1, 1999, and by the \$63.9 million to repurchase common stock.

The table below presents the dollar amount of changes in interest income and expense for each major component of interest-earning assets and interest-bearing liabilities, and the amount of change in each attributable to: (i) changes in volume (change in volume multiplied by prior year rate), and (ii) changes in rate (change in rate multiplied by prior year volume). The net change attributable to change in both volume and rate, which cannot be segregated, has been allocated proportionately to the change due to volume and the change due to rate. The following table demonstrates the effect of the change in a volume of interest-earning assets and interest-bearing liabilities, the changes in interest rates and the effect on the interest rate spreads previously discussed:

	Year Ended December 31, 2001 Compared to the Twelve Months Ended December 31, 2000			Six Mon Compa
	Increase (Decrease) Due to Volume	Rate	Total	Inc Volume
Interest income:				
Loans.....	\$ (101,618)	\$ (9,151)	\$ (110,769)	\$25,168
Mortgage-backed securities.....	25,127	(5,826)	19,301	1,032
Investments.....	6,915	(14,614)	(7,699)	(6,409)
Interest income.....	(69,576)	(29,591)	(99,167)	19,791
Interest expense:				
Savings deposits.....	11,887	(14,574)	(2,687)	3,683
Other time deposits.....	(30,287)	(6,217)	(36,504)	(2,104)
Advances from FHLB.....	(27,299)	(21,705)	(49,004)	21,290
Securities sold under agreements to repurchase..	3,150	59	3,209	(2,412)
Other borrowings.....	4,272	(3,251)	1,021	(1,506)
Interest expense.....	(38,277)	(45,688)	(83,965)	18,951
Effect on net interest income.....	\$ (31,299)	\$ 16,097	\$ (15,202)	\$ 840

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	Year Ended June 30, 2000 Compared to 1999		
	Increase Volume	(Decrease) Rate	Due to Total
Interest income:			
Loans.....	\$ 65,539	\$ (6,739)	\$ 58,800
Mortgage-backed securities.....	3,761	1,763	5,524
Investments.....	20,545	3,467	24,012
Interest income.....	89,845	(1,509)	88,336
Interest expense:			
Savings deposits.....	9,257	7,626	16,883
Other time deposits.....	(10,742)	(3,325)	(14,067)
Advances from FHLB.....	75,292	7,845	83,137
Securities sold under agreements to repurchase..	(7,869)	(628)	(8,497)
Other borrowings.....	1,596	(524)	1,072
Interest expense.....	67,534	10,994	78,528
Effect on net interest income.....	\$ 22,311	\$ (12,503)	\$ 9,808

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Asset/Liability Management

The net interest income of the Corporation is subject to the risk of interest rate fluctuations to the extent that there is a difference, or mismatch, between the amount of the Corporation's interest-earning assets and interest-bearing liabilities which mature or reprice in specified periods. When interest rates change, to the extent the Corporation's interest-earning assets have longer maturities or effective repricing periods than its interest-bearing liabilities, the interest income realized on the Corporation's interest-earning assets will adjust more slowly than the interest expense on its interest-bearing liabilities. This mismatch in the maturity and repricing characteristics of assets and liabilities is commonly referred to as the "gap." A gap is considered positive when the interest rate sensitive assets maturing or repricing during a specified period exceed the interest rate sensitive liabilities maturing or repricing during the same period. A gap is considered negative when the interest rate sensitive liabilities maturing or repricing during a specified period exceed the interest rate sensitive assets maturing or repricing during the same period. Generally, during a period of rising interest rates, a negative gap would adversely affect net interest income while a positive gap would result in an increase in net interest income. Similarly, during a period of declining interest rates, a negative gap would result in an increase in net interest income while a positive gap would adversely affect net interest income.

The Corporation generally invests in interest-earning assets that reprice more slowly than its interest-bearing liabilities. This mismatch exposes the Corporation to interest rate risk. In a rising rate environment, interest-bearing liabilities will reprice faster than interest-earning assets, thereby decreasing net interest income. The Corporation seeks to control its

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exposure to interest rate risk by emphasizing shorter-term assets such as commercial and consumer loans. In addition, the Corporation utilizes longer-term advances from the FHLB to extend the repricing characteristics of its interest-bearing liabilities. The Corporation also enters into interest rate swap agreements in order to lengthen synthetically its short term debt obligations.

In connection with its asset/liability management program, the Corporation has interest rate swap agreements with other counterparties under terms that provide for an exchange of interest payments on the outstanding notional amount of the swap agreement. These agreements are primarily used to artificially lengthen the maturity of certain deposit liabilities and FHLB advances. In accordance with these arrangements the Corporation pays fixed rates and receives variable rates of interest according to a specified index. The Corporation had swap agreements with notional principal amounts of \$2.6 billion at December 31, 2001, \$1.5 billion at December 31, 2000, \$2.5 billion at June 30, 2000, and \$215.0 million at June 30, 1999. For the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999, the Corporation recorded \$45.7 million, \$415,000, \$2.9 million and \$2.8 million, respectively, in net interest expense from its interest rate swap agreements. The swap agreements outstanding as of December 31, 2001, have maturities ranging from December 2002 to October 2011. The Corporation has \$1.0 billion of 10 year fixed-rate FHLB advances with interest rates ranging from 4.30% to 5.40%, call dates ranging from January 2002 to May 2002 and maturity dates ranging from February 2009 to July 2009. The Corporation entered into swaption agreements in 2001 to hedge its interest rate risk and duration on these callable FHLB advances. All terms of the swaption agreements exactly match the terms of these FHLB advances. In the event any of these FHLB advances are called, the Corporation will exercise its corresponding option to enter into a swap agreement paying a fixed rate of interest and receiving a variable note. See Note 14 to the Consolidated Financial Statements for additional information on the Corporation's swap and swaption agreements.

The following table represents management's projected maturity and repricing of the Bank's interest-earning assets and interest-bearing liabilities at December 31, 2001. The amounts of interest-earning assets, interest-bearing liabilities and interest rate swap agreements presented which mature or reprice within a particular period were determined in accordance with the contractual terms and expected behavior over time of such assets, liabilities and interest rate swap agreements. Adjustable-rate loans and mortgage-backed securities are included in the period in which they are first scheduled to adjust and not in the period in which they mature. All loans and mortgage-backed securities are adjusted for prepayment rates based on information provided by independent sources as of December 31, 2001, and the Bank's historical prepayment experience. Fixed-rate passbook

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deposits, NOW accounts and non-indexed money market accounts are assumed to reprice or mature according to the decay rates defined by regulatory guidelines. Indexed money market rate deposits are deemed to reprice or mature within the 90-day category. Management believes that these assumptions approximate actual experience and considers such assumptions reasonable; however, the actual interest rate sensitivity of the Bank's interest-earning assets and interest-bearing liabilities may vary substantially if actual experience differs from the assumptions used.

Within                      91 Days                      Over 1                      3 Years



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	90 Days	to 1 Year	to 3 Years	and Over	
	-----	-----	-----	-----	-----
	(Dollars in Thousands)				
Interest-earning assets:					
Fixed-rate mortgage loans (1).....	\$ 645,501	\$ 906,129	\$1,342,890	\$ 1,202,062	\$ 4
Other loans (2).....	1,628,893	1,775,832	1,844,947	889,243	6
Investments (3).....	422,120	1,467	21,893	1,009,203	1
	-----	-----	-----	-----	-----
Interest-earning assets.....	2,696,514	2,683,428	3,209,730	3,100,508	11
	-----	-----	-----	-----	-----
Interest-bearing liabilities:					
Savings deposits.....	1,817,346	282,199	520,255	823,060	3
Other time deposits.....	1,360,576	1,044,775	491,102	57,207	2
Borrowings (4).....	3,157,201	247,625	125,725	1,808,362	5
Impact of interest rate swap agreements.....	(2,520,000)	--	1,000,000	1,520,000	
	-----	-----	-----	-----	-----
Interest-bearing liabilities.....	3,815,123	1,574,599	2,137,082	4,208,629	11
	-----	-----	-----	-----	-----
Gap position.....	(1,118,609)	1,108,829	1,072,648	(1,108,121)	
	-----	-----	-----	-----	-----
Cumulative gap position.....	\$ (1,118,609)	\$ (9,780)	\$1,062,868	\$ (45,253)	\$
	=====	=====	=====	=====	=====
Gap as a percentage of the Bank's total assets.....					
	(8.67)%	8.59%	8.32%	(8.59)%	
Cumulative gap as a percentage of the Bank's total assets.....					
	(8.67)%	(.08)%	8.24%	(.35)%	

- 
- (1) Includes conventional single-family and multi-family mortgage loans and mortgage-backed securities.
  - (2) Includes adjustable-rate single-family mortgage loans, adjustable-rate mortgage-backed securities and all other types of loans with either fixed or adjustable interest rates.
  - (3) Included in the "Within 90 Days" column is Federal Home Loan Bank stock of \$253.9 million.
  - (4) Includes advances from the FHLB and other borrowings.

The Bank's one-year cumulative gap is a negative \$9.8 million, or .08%, of the Bank's total assets at December 31, 2001, compared to a negative \$1.1 billion, or 8.66%, of the Bank's total assets at December 31, 2000, and a negative \$1.7 billion, or 12.67% at June 30, 2000. The interest rate risk policy of the Bank limits the liability sensitive one-year cumulative gap not to exceed 15.0%.

The Corporation's interest rate sensitivity is also monitored through analysis of the change in the net portfolio value ("NPV"). The Corporation's Asset Liability Management Committee ("ALCO"), comprised of senior management, monitors the sensitivity of the value of the balance sheet to changes in market interest rates. The primary purpose of the asset/liability management function is to manage the Corporation's combined portfolio such that its capital is leveraged effectively into assets and liabilities which maximize corporate profitability while minimizing exposure to changes in interest rates. The ALCO and the Board of Directors review the interest rate risk position of the Bank on at least a quarterly basis.

Several measures are employed to determine the Bank's exposure to interest rate risk. Market value sensitivity analysis measures the change in the Bank's NPV ratio in the event of sudden and sustained changes in market interest rates. The NPV ratio is defined as the market value of the Bank's capital divided by the market

value of its assets. Interest rate sensitivity gap analysis is used to compare the repricing characteristics of the Bank's assets and liabilities. Finally, net interest income sensitivity analysis is used to measure the impact of changing interest rates on corporate earnings.

If estimated changes to the NPV ratio and the sensitivity gap are not within the limits established by the Board of Directors, the Board may direct management to adjust its asset and liability mix to bring interest rate risk within Board-approved limits. The Corporation's Board of Directors has adopted an interest rate risk policy which establishes a minimum allowable NPV ratio (generally 4.00%) over a range of hypothetical interest rates extending from 300 basis points below current levels to 300 basis points above current levels. In addition, the policy establishes a maximum allowable change in the NPV ratio of 2.00% in the event of an instantaneous and adverse change in interest rates of 200 basis points.

The OTS monitors the Bank's interest rate risk management procedures under guidelines set forth in Thrift Bulletin 13a. This bulletin requires that the Corporation's Board of Directors set interest rate risk limits that would prohibit the Bank from exhibiting a post-shock NPV ratio and interest rate sensitivity measure of "significant risk" or greater. The OTS limits generally set a minimum NPV ratio of 6.00% at the 200 basis points rate shock level, and a maximum change in NPV ratio of 4.00% at the same level. The limits the Board has imposed on the Bank are more conservative than the limits set by the OTS.

The following table presents the projected change in the Bank's NPV ratio for various hypothetical rate shock levels as of December 31, 2001.

Hypothetical Change in Interest Rates	Market Value of Capital	Market Value of Assets	NPV Ratio	Minimum Board Limit	Change in NPV Ratio	Board Maximum Allowable Change
(Dollars in Thousands)						
300 basis point rise.....	\$730,325	\$12,054,888	6.06%	4.00%	.01%	n/a
200 basis point rise.....	779,654	12,349,898	6.31%	4.00%	.26%	(2.00)%
100 basis point rise.....	816,496	12,649,716	6.45%	4.00%	.40%	n/a
Base Scenario.....	778,490	12,877,183	6.05%	4.00%	--	n/a
100 basis point decline.....	656,051	13,046,112	5.03%	4.00%	(1.02%)	n/a
200 basis point decline.....	564,154	13,263,745	4.25%	4.00%	(1.80%)	(2.00)%
300 basis point decline.....	465,981	13,503,456	3.45%	4.00%	(2.60%)	n/a

At December 31, 2001, the Bank's NPV ratios were within the targets set by the Board of Directors in all rate scenarios. In addition, at December 31, 2001, the Bank was within the limits set by the OTS to maintain a risk rating of better than "significant risk." The NPV ratio is calculated by the Corporation pursuant to guidelines established by the OTS. The modeling calculation is based on the net present value of discounted estimated cash flows utilizing prepayment assumptions and market rates of interest provided by independent sources as of December 31, 2001, with adjustments made to reflect the shift in interest rates as appropriate. Computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments, and

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deposit decay, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the ALCO could undertake in response to changes in interest rates.

### Provision for Loan Losses

The Corporation recorded loan loss provisions totaling \$38.9 million for the year ended December 31, 2001. Net loans charged-off totaled \$19.8 million in 2001 consisting mainly of charge-offs for consumer, agriculture and credit card loans totaling \$16.3 million. The Corporation increased its provision for loan losses in 2001. The total allowance for loan losses increased to \$102.5 million at December 31, 2001, compared to \$83.4 million at December 31, 2000. A significant reason for this increase is due to the negative impact on the ability of

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borrowers to pay their loans attributable to the recessionary economic conditions present in the second half of 2001 and the continued deterioration in the economy. This is reflected in the increasing ratio of nonperforming loans to total loans and nonperforming assets to total assets, as well as the increase in total nonperforming asset balances. The allowance for loan losses is based upon management's continuous evaluation of the collectibility of outstanding loans, which takes into consideration such factors as changes in the composition of the loan portfolio and economic conditions that affect the borrower's ability to pay, regular examinations by the Corporation's credit review group of specific problem loans and of the overall portfolio quality and real estate market conditions in the Corporation's lending areas.

The allowance for loan losses consists of two elements. The first element is an allocated allowance established for specifically identified loans that are evaluated individually for impairment and are considered to be individually impaired. The second element is an estimated allowance established for impairment on each of the Corporation's pools of outstanding loans. These estimated allowances are based on several analysis factors including the Corporation's past loss experience, general economic and business conditions, geographic and industry concentrations, credit quality and delinquency trends, and known and inherent risks in each of the portfolios. These evaluations are inherently subjective as they require frequent revisions as more information becomes available. The allowance for credit losses totaled \$102.5 million at December 31, 2001, or 107.3% of total nonperforming loans, compared to \$83.4 million, or 87.0% at December 31, 2000, and \$70.6 million, or 108.5% at June 30, 2000.

Total allowance for loan losses increased to \$83.4 million at December 31, 2000, compared to \$70.6 million at June 30, 2000. This increase was due to additional loan loss provisions recorded during the six months ended December 31, 2000, based on management's assessment of increased credit risk due to the changing economic environment and the increase in nonperforming loans. The decrease in total allowance for loan losses to \$70.6 million at June 30, 2000, compared to \$80.4 million at June 30, 1999, was due to an increase in net charge-offs in fiscal year 2000 compared to 1999.

The Corporation recorded loan loss provisions of \$27.9 million and \$6.8 million for the six months ended December 31, 2000 and 1999, respectively. The increase is primarily attributable to management's evaluation of the Corporation's portfolio credit risk and subsequent decision to increase reserves by \$12.9 million from June 30, 2000, to December 31, 2000, based on changing economic conditions and increases in nonperforming loans during the last half of 2000. Net loans charged-off totaled \$14.4 million for the

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six-month period in 2000 compared to \$6.6 million for the 1999 period. Net charge-offs were higher for the 2000 period due to increases in lease charge-offs (\$5.5 million) and commercial real estate loan charge-offs (\$2.6 million). The increase in lease charge-offs is primarily due to credit issues on the retained portfolio. The increase in the commercial real estate loan charge-offs is due primarily to a charge-off totaling \$1.7 million on an office building in Kansas and \$535,000 on an apartment building in Nebraska.

Loan loss provisions totaling \$13.8 million and \$12.4 million were recorded in fiscal years 2000 and 1999, respectively. Net loans and leases charged-off totaled \$18.3 million for fiscal year 2000 compared to \$12.1 million for 1999. The net charge-offs are higher for fiscal year 2000 due to charge-offs totaling \$6.9 million relating to one commercial loan (\$1.5 million), an apartment complex (\$1.3 million) and leases (\$4.1 million).

At December 31, 2001, the residential loan portfolio totaled \$5.0 billion and is secured by properties located primarily in Colorado (16%), Nebraska (12%) and Kansas (10%). At December 31, 2000, the Corporation's residential loan portfolio totaling \$5.6 billion was secured by properties located primarily in Colorado (17%), Nebraska (11%) and Kansas (9%). At June 30, 2000, these loans totaled \$7.5 billion and were secured by properties located primarily in Colorado (17%), Nebraska (13%) and Kansas (11%). At June 30, 1999, these loans totaled \$7.0 billion and were secured by residential properties located primarily in Colorado (20%), Nebraska (13%) and Kansas (10%). At December 31, 2001, the commercial real estate portfolio totaled \$1.5 billion and was secured by properties located primarily in Colorado (24%), Iowa (15%) and Kansas (9%). The commercial real estate loan portfolio at December 31, 2000, totaling \$1.4 billion was secured by properties primarily located in Colorado (23%), Iowa (17%) and Kansas (9%). At June 30, 2000, commercial real estate loans totaled \$1.1 billion and were secured by properties located primarily in Colorado (26%), Iowa (16%) and

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Kansas (11%). At June 30, 1999, commercial real estate loans totaled \$835.3 million and were secured by properties primarily located in Colorado (29%), Kansas (15%) and Iowa (14%).

Management of the Corporation believes that the present level of allowance for loan losses is adequate to reflect the risks inherent in its portfolios. However, there can be no assurance that the Corporation will not experience increases in its nonperforming assets, that it will not increase the level of its allowance in the future or that significant provisions for losses will not be required based on factors such as deterioration in market conditions, changes in borrowers' financial conditions, delinquencies and defaults.

Nonperforming assets are monitored on a regular basis by the Corporation's internal credit review and problem asset groups. Nonperforming assets are summarized as follows as of the dates indicated:

	December 31,		June 30,	
	2001	2000	2000	1999
	-----			
	(Dollars in Thousands)			
Nonperforming loans (1)				
Residential real estate.....	\$ 63,495	\$ 81,406	\$ 48,996	\$ 49,061

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Commercial real estate.....	23,423	4,446	2,550	12,220
Consumer and other loans.....	6,622	7,271	5,119	4,859
Leases and credit cards.....	307	2,748	8,347	3,875
Total.....	93,847	95,871	65,012	70,015
Real estate (2).....				
Commercial.....	8,762	10,198	12,862	8,880
Residential.....	36,446	15,824	16,803	14,384
Total.....	45,208	26,022	29,665	23,264
Troubled debt restructurings (3)				
Commercial.....	3,057	4,195	5,259	9,534
Residential.....	84	90	172	195
Total.....	3,141	4,285	5,431	9,729
Total nonperforming assets.....	\$142,196	\$126,178	\$100,108	\$103,008
Nonperforming loans to total loans.....	1.08%	1.05%	.61%	.73%
Nonperforming assets to total assets.....	1.10%	1.01%	.73%	.81%
Total allowance for loan losses (4).....	\$102,451	\$ 83,439	\$ 70,556	\$ 80,419
Allowance for loan losses to total loans.....	1.18%	.91%	.66%	.84%
Allowance for loan losses to total nonperforming assets	72.05%	66.13%	70.48%	78.07%
Allowance for loan losses to nonresidential nonperforming assets.....	242.94%	289.14%	206.68%	204.28%

- 
- (1) Nonperforming loans consist of nonaccruing loans (loans 90 days or more past due) and accruing loans that are contractually past due 90 days or more. At December 31, 2001 and 2000, and June 30, 2000 and 1999, there were no accruing loans contractually past due 90 days or more.
  - (2) Real estate consists of commercial and residential property acquired through foreclosure or repossession (real estate owned and real estate in judgment) and real estate from certain subsidiary operations, and does not include performing real estate held for investment totaling \$12.3 million, \$12.8 million, \$9.9 million and \$9.5 million, respectively, at December 31, 2001 and 2000, and June 30, 2000 and 1999.
  - (3) A troubled debt restructuring is a loan on which the Corporation, for reasons related to the debtor's financial difficulties, grants a concession to the debtor, such as a reduction in the loan's interest rate, a reduction in the face amount of the debt, or an extension of the maturity date of the loan, that the Corporation would not otherwise consider.
  - (4) Includes \$92,000, \$1,176,000, \$59,000 and \$75,000, respectively, at December 31, 2001 and 2000, and June 30, 2000 and 1999, in allowance for losses established primarily to cover risks associated with borrowers' delinquencies and defaults on loans and leases held for sale.

Nonperforming loans at December 31, 2001, decreased \$2.0 million compared to December 31, 2000, due primarily to the foreclosure of a construction loan totaling \$22.7 million which moved to the real estate category and a decrease of \$2.6 million in leases. These decreases were partially offset by two commercial real estate groups of loans totaling \$20.8 million going 90 days past due and general increases totaling \$3.0 million in the residential real estate portfolio. The \$22.7 million construction loan foreclosure was on a

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property located in Nevada for the development of a residential master planned community. The \$2.6 million decrease in leases reflects the Corporation's sale of a substantial portion of this portfolio during the first quarter of 2001. Nonperforming loans at December 31, 2000, increased \$30.9 million compared to June 30, 2000, due primarily to an increase in residential construction delinquencies of \$22.7 million, residential delinquencies of \$9.7 million and commercial real estate delinquencies of \$1.9 million partially offset by a decrease of \$3.9 million in leasing delinquencies. Nonperforming loans at June 30, 2000, decreased compared to 1999 primarily due to a decrease of \$9.7 million in delinquent commercial real estate offset by increases of \$4.5 million and \$260,000, respectively, in leases and other loans and consumer loans. The higher concentration levels of nonperforming loans at December 31, 2001, were secured by properties located in Kansas (18%), Nevada (11%) and Iowa (10%). This compares to December 31, 2000, with nonperforming loans secured by properties located in Nevada (25%), Kansas (17%) and Iowa (13%).

Real estate owned at December 31, 2001, increased \$19.2 million from December 31, 2000, due primarily to the addition of the residential master planned community development property located in Nevada. The book value of this property totaled \$21.6 million at December 31, 2001. Real estate owned at December 31, 2000, decreased \$3.6 million from June 30, 2000, due primarily to decreases in commercial and residential real estate totaling \$2.7 million and \$979,000, respectively. The decrease in commercial real estate was due to impairment losses totaling \$3.1 million recorded during the six months ended December 31, 2000, on two hotels in Kansas. The net increase of \$6.4 million in real estate at June 30, 2000, compared to 1999 was due to increases of \$4.0 million and \$2.4 million, respectively, in commercial and residential real estate. The increases were primarily due to the transfer of delinquent residential and commercial loans totaling \$21.1 million and \$10.9 million, respectively, to nonperforming real estate. Partially offsetting these increases were sales of residential and commercial properties totaling \$15.2 million and \$6.2 million, respectively. Real estate owned at December 31, 2001, is located primarily in Nevada (48%), Missouri and Arizona compared to December 31, 2000, and June 30, 2000, where the higher concentrations were located primarily in Kansas and Missouri.

Troubled debt restructurings decreased \$1.1 million at December 31, 2001, compared to December 31, 2000, due primarily to the charge-off of one loan totaling \$582,000 and the reclassification of another loan for \$414,000 from troubled debt restructuring status to current loan status. Troubled debt restructuring decreased \$1.1 million at December 31, 2000, compared to June 30, 2000, due primarily to the payoff of two loans totaling \$2.4 million partially offset by the addition of one loan totaling \$1.4 million. Troubled debt restructurings decreased \$4.3 million at June 30, 2000, compared to June 30, 1999, due to the reclassification of \$3.2 million of commercial troubled debt restructurings to nonperforming loan status and \$1.1 million of commercial troubled debt restructurings to current loan status.

### Non-Interest Income

#### Retail Fees and Charges

Retail fees and charges totaled \$53.5 million for the year ended December 31, 2001. The primary source of this fee income is customer charges for retail financial services such as checking account fees and service charges, charges for insufficient checks or uncollected funds, stop payment fees, debit card fees, overdraft protection fees, transaction fees for personal checking and automatic teller machine services. Increases in the volume of checking accounts and an increased retail fee pricing structure effective September 1, 2001, is the reason retail fees and charges are up for 2001.

Retail fees and charges totaled \$25.7 million and \$20.7 million for the six

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months ended December 31, 2000 and 1999, respectively. The net increase for the six months ended December 31, 2000, compared to 1999 was due to increases in fees for overdraft and insufficient funds charges on checking accounts and debit card fees.

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Retail fees and charges totaled \$43.2 million and \$36.7 million for fiscal years 2000 and 1999, respectively. The net increase for fiscal year 2000 compared to 1999 was due to increased fee structures and volume increases in checking account fees and related ancillary fees for overdraft and insufficient funds charges, debit card fees and overall fees from the acquisition of Midland. Also contributing to the increase was the emphasis on cross-selling of products available from the Corporation's increased retail customer deposit base.

### Loan Servicing Fees

The major components of loan servicing fees for the periods indicated and the amount of loans serviced for other institutions are as follows:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
	-----	-----	-----	-----
	(In Thousands)			
Revenue from loan servicing fees.....	\$ 33,079	\$ 13,814	\$ 27,943	\$ 29,250
Revenue from late loan payment fees.....	6,693	2,848	5,954	5,732
Amortization of mortgage servicing rights	(17,092)	(4,558)	(8,703)	(12,021)
Valuation adjustments for impairment.....	(19,058)	(583)	--	--
	-----	-----	-----	-----
Loan servicing fees, net.....	\$ 3,622	\$ 11,521	\$ 25,194	\$ 22,961
	=====	=====	=====	=====
Loans serviced for other institutions....	\$9,488,621	\$9,100,938	\$7,271,014	\$7,448,814
	=====	=====	=====	=====

The amount of revenue generated from loan servicing fees, and changes in comparing periods, is primarily due to the average size of the Corporation's portfolio of mortgage loans serviced for other institutions and the level of rates for service fees collected partially offset by the amortization expense of mortgage servicing rights and valuation allowances. The loan servicing fees category also includes fees collected for late loan payments. The net increases in revenue comparing the respective periods are due to a higher average balance of mortgage loans serviced slightly offset by a lower level of service fee rates comparing the respective periods. The average service fee rate collected by the Corporation was .33% for the year ended December 31, 2001, compared to .36% for the six months ended December 31, 2001, and .39% for both of the fiscal years 2000 and 1999. The increases in amortization expense of mortgage servicing rights reflects an increase in prepayments due to the lower interest rate environment comparing the respective periods. The amount of amortization expense of mortgage servicing rights is determined, in part, by mortgage loan pay-downs in the servicing portfolio that are influenced by changes in interest rates. In addition, valuation adjustments totaling \$19.1 million and \$583,000 million in impairment losses were recorded during the year ended December 31,

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2001, and the six months ended December 31, 2000, as reductions of loan servicing fees and of the carrying amount of the mortgage servicing rights portfolio. The valuation allowances are due to an increase in loan prepayments resulting from a decrease in interest rates during the respective periods. The mortgage loans serviced for other institutions increased at December 31, 2000, compared to June 30, 2000, from the \$1.6 billion of residential loans securitized and sold in November 2000 with servicing retained.

The fair value of the Corporation's loan servicing portfolio increases as mortgage interest rates rise and loan prepayments decrease. It is expected that income generated from the Corporation's loan servicing portfolio will increase in such an environment. However, this positive effect on the Corporation's income is offset, in part, by a decrease in additional servicing fee income attributable to new loan originations, which historically decrease in periods of higher, or increasing, mortgage interest rates, and by an increase in expenses from loan production costs since a portion of such costs cannot be deferred due to lower loan originations. Conversely, the value of the Corporation's loan servicing portfolio will decrease as mortgage interest rates decline.

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Gain (Loss) on Sales of Securities and Changes in Fair Value of Derivatives, Net

The following transactions were recorded during the year ended December 31, 2001, and the six months ended December 31, 2000:

	Year Ended December 31, 2001
	----- (In T
Gain (loss) on the sales of available-for-sale securities:	
Investment securities.....	\$14,727
Mortgage-backed securities.....	3,571
	-----
	18,298
	-----
Gain on the sales of trading securities:	
Investment securities.....	--
Mortgage-backed securities.....	--
	-----
	--
	-----
Changes in the fair value of derivative financial instruments not qualifying for hedge accounting:	
Interest rate floor agreements.....	(870)
Forward loan sales commitments.....	--
Conforming loan commitments.....	--
	-----
	(870)
	-----
Amortization expense on the deferred loss on terminated interest rate swap agreements included in accumulated other comprehensive income (loss).....	(2,034)
Loss on the termination of interest rate swap agreements.....	--



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Other items.....	28
	-----
Gain (loss) on the sales of securities and changes in fair value of derivatives, net	\$15,422
	=====

During the year ended December 31, 2001, the Corporation realized pre-tax gains on the sales of available-for-sale investment and mortgage-backed securities totaling \$18.3 million. These net gains were recognized primarily to offset the valuation adjustment loss of \$19.1 million in the mortgage servicing rights portfolio as of December 31, 2001. In addition, in December 2000, the Corporation incurred losses totaling \$8.6 million on terminated interest rate swap agreements. Since the related hedged FHLB advances and deposit liabilities were not paid this loss is included in other comprehensive income (loss) with \$2.0 million amortized to operations during the year ended December 31, 2001. The unamortized balance of these terminated interest rate swap agreements totaled \$6.4 million at December 31, 2001.

During the six months ended December 31, 2000, the Corporation realized a pre-tax net loss totaling \$30.0 million on the sales of the available-for-sale and trading investment and mortgage-backed securities. This net loss was the result of the Corporation selling securities in the trading portfolio totaling \$429.8 million and in the available for sale portfolio totaling \$765.6 million during the six months ended December 31, 2000. Effective July 1, 2000, the Corporation adopted the provisions of SFAS No. 133 and, under provisions of this statement, the Corporation transferred \$432.6 million of its held-to-maturity portfolio of investment and mortgage-backed securities to the trading portfolio. The fair value adjustment of these transferred securities resulted in a pre-tax loss of \$28.4 million (\$18.5 million after-tax) recorded against current operations as of July 1, 2000, as a cumulative effect of a change in accounting principle, net of income tax benefits. The loss on the termination of interest rate swap agreements totaling \$38.2 million resulted from the Corporation exiting interest rate swap agreements with a notional amount of \$1.2 billion primarily due to the pay down of FHLB advances during the quarter ended December 31, 2000. Under SFAS No. 133, this loss of \$38.2 million was recognized on these swap

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agreements (\$1.0 billion notional amount) since the related hedged FHLB advances were paid off. A net loss of \$1.1 million was also recorded during the six months ended December 31, 2000, resulting from the changes in fair value of certain derivatives. During the six months ended December 31, 1999, there were no sales of securities classified as available for sale.

During fiscal year 2000 there were no sales of securities available for sale. During fiscal year 1999 the Corporation sold securities available for sale resulting in a pre-tax gain of \$4.4 million on sales of \$235.6 million. Mortgage-backed securities accounted for most of the activity with pre-tax gains of \$3.9 million recorded.

Gain (Loss) on Sales of Loans

During the year ended December 31, 2001, the Corporation recorded \$8.7 million on the gain on sales of loans and changes in the fair value of derivative financial instruments and certain hedged items. During the year ended December 31, 2001, loans were sold totaling \$2.7 billion resulting in a pre-tax gain of \$4.7 million. Loans are typically originated by the mortgage banking operations and sold in the secondary market with loan servicing retained and without recourse to the Corporation. The Corporation also has

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derivative financial instruments (forward loan sales commitments and conforming loan commitments) and certain hedged items (loan warehouse fair value hedge) that under SFAS No. 133 are recorded at fair value with the changes in fair value reported in current earnings. For the year ended December 31, 2001, the net changes in the fair value of these derivative financial instruments and certain hedged items totaled \$4.0 million and were recorded as a net gain in this category.

During the six months ended December 31, 2000 and 1999, loans were sold totaling approximately \$2.3 billion and \$341.6 million, respectively, resulting in a pre-tax loss of \$18.0 million for the six months ended December 31, 2000, and a pre-tax gain of \$241,000 for the December 31, 1999, six month period. As part of the August 2000 strategic initiatives to restructure the balance sheet, approximately \$1.6 billion of 30-year residential mortgages were securitized and sold. This November 2000 sale of these securitized mortgage loans resulted in a pre-tax loss of \$18.2 million. The sale of these single-family residential loans allowed the Corporation to increase margins and reduce earnings volatility associated with rising interest rates, and at the same time increase the mortgage loans serviced portfolio.

During fiscal years 2000 and 1999, the Corporation sold loans to third parties through its mortgage banking operations totaling approximately \$762.1 million and \$2.0 billion, respectively, resulting in a pre-tax loss of \$110,000 for fiscal year 2000 and in a net pre-tax gain of \$3.4 million for fiscal year 1999.

### Real Estate Operations

The Corporation recorded a net loss from real estate operations totaling \$7.0 million for the year ended December 31, 2001. Impairment losses on real estate are recognized when and to the extent that the carrying value of a property is greater than its market value less estimated selling costs. Real estate operations reflect impairment losses for real estate, net real estate operating activity, and gains and losses on dispositions of real estate. The loss in real estate operations for 2001 is due primarily to an impairment write-down in December 2001 totaling \$3.0 million recorded on the Nevada residential master planned community development property that was acquired through foreclosure in March 2001, \$2.2 million in impairment losses on residential properties, \$1.4 million in net operating expenses on real estate properties owned and \$767,000 in expenses related to the Nevada property, partially offset by net gains on the sale of real estate properties totaling \$826,000.

The Corporation recorded a loss from real estate operations totaling \$4.8 million for the six months ended December 31, 2000, compared to a gain totaling \$138,000 for the six months ended December 31, 1999. The net decrease in real estate operations for the six months ended December 31, 2000, was due primarily to impairment losses recorded on two hotel properties in Kansas totaling \$3.1 million and four commercial properties totaling

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\$449,000. Net operating losses on the two Kansas hotels totaled \$1.1 million for the six-month 2000 period. Net gains on disposal of real estate properties decreased by \$236,000 for the six months ended December 31, 2000, compared to 1999.

The Corporation recorded net losses from real estate operations in fiscal years 2000 and 1999 totaling \$88,000 and \$1.7 million, respectively. The net increase in real estate operations for fiscal year 2000 compared to 1999 is due

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primarily to a net decrease in the provision for real estate losses totaling \$1.5 million and an increase in net gains on real estate dispositions.

### Bank Owned Life Insurance

In December 2000, the Corporation invested in a BOLI program with a contract value of \$200.0 million. Revenue from the BOLI program became a significant component of other operating income beginning in calendar year 2001. In 2001 the Corporation recorded \$14.7 million in revenue from the BOLI program compared to \$713,000 during the six months ended December 31, 2000.

### Other Operating Income

Other operating income totaled \$46.1 million for the year ended December 31, 2001. The major components of other operating income are brokerage commissions, credit life and disability commissions and insurance commissions. For the year ended December 31, 2001, brokerage commission income totaled \$10.0 million, insurance commission income totaled \$6.1 million and commission income for credit life and disability totaled \$2.3 million.

Other operating income totaled \$15.0 million and \$20.7 million for the six months ended December 31, 2000 and 1999, respectively. Other operating income totaled \$33.6 million and \$24.2 million for fiscal years 2000 and 1999, respectively. Brokerage commission income totaled \$4.2 million and \$4.5 million for the six months ended December 31, 2000 and 1999. The decrease comparing periods was primarily attributable to the volatility in the stock market comparing 2000 to 1999. Insurance commission remained relatively stable and totaled \$1.9 million for both six month periods. Credit life and disability insurance totaled \$1.4 million and \$2.0 million for the six months ended December 31, 2000 and 1999. Other operating income totaled \$7.5 million and \$12.3 million for the six months ended December 31, 2000 and 1999. The decrease for the 2000 six month period compared to the 1999 period was due primarily to the sale of the corporate headquarters building in December 1999 that resulted in a pre-tax gain of \$8.5 million. Additionally, during the six months ended December 31, 2000, the Corporation recorded a \$1.3 million gain on the sale of a parcel of the Corporation's business park and BOLI income totaling \$769,000.

Brokerage commission income totaled \$9.8 million and \$9.2 million, respectively, for fiscal years 2000 and 1999. Brokerage commission income increased for fiscal year 2000 compared to 1999 due to significant growth in the volume of customer transactions for equity securities. A greater focus on cross-selling, an increase in the number of sales locations due to acquisitions and a more qualified staff also contributed to these increases.

Insurance commission income totaled \$4.0 million and \$2.8 million, respectively, for fiscal years 2000 and 1999. The increase comparing fiscal year 2000 to 1999 was primarily due to increased annuity sales due to the higher interest rate environment in fiscal year 2000 and to an increase in net reinsurance operations. Credit life and disability commission income totaled \$4.1 million and \$2.0 million, respectively, for fiscal years 2000 and 1999. Commission income from credit life and disability is directly related to consumer loan volume and the emphasis placed on selling the product. Credit life and disability commission income from leasing activity decreased during this same period.

Other operating income includes miscellaneous items that can fluctuate significantly from year to year. Such amounts totaled approximately \$15.7 million and \$10.2 million, respectively, for fiscal years 2000 and 1999. The

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increase comparing fiscal year 2000 to 1999 is due primarily to the net pre-tax gain totaling \$8.5 million on the sale of the corporate headquarters building.

### Non-Interest Expense

#### General and Administrative Expenses

Total general and administrative expenses were \$232.5 million for the year ended December 31, 2001. General and administrative expenses totaled \$248.0 million excluding exit costs and termination benefits totaling is a net gain of \$15.6 million. This net gain of \$15.6 million is the result of pre-tax gains on the sale of 34 branches during 2001 totaling \$18.3 million partially offset by expenses associated with right-sizing branches (\$2.0 million) and \$754,000 in expenses to exit leasing operations. Major changes in expenses incurred or charged to operations during 2001 include (i) \$13.9 million in bonuses and commissions for management incentive plans and retail and mortgage production incentive plans compared to \$3.4 million for the six months ended December 31, 2000, (ii) employee medical and dental costs of \$6.2 million compared to \$2.9 million for the six months ended December 31, 2000, (iii) \$4.1 million in legal expenses in 2001 associated with the Corporation's supervisory goodwill lawsuit against the United States and (iv) \$1.1 million in contributions of which \$1.0 million was funded into a charitable trust.

Total general and administrative expenses totaled \$148.4 million and \$127.8 million for the six months ended December 31, 2000 and 1999. The net increase of \$20.6 million in general and administrative expenses for the six months ended December 31, 2000, compared to the six months ended December 31, 1999, was primarily due to net increases in exit costs and termination benefits of \$21.5 million, outside services of \$1.9 million and other operating expenses of \$1.3 million. These increases are partially offset by decreases of \$2.1 million in compensation, \$1.4 million in communication expense and \$957,000 in occupancy and equipment. Excluding exit costs and termination benefits, general and administrative expenses decreased \$839,000 from \$123.5 million to \$122.6 million comparing the six months ended December 31, 2000, to the prior year period. This net decrease was primarily due to a lower number of full-time equivalent employees comparing the respective periods, management's emphasis on tighter cost controls and the effect of certain initiatives starting with the November 1999 branch divestitures and employee outplacement. The increase in exit costs and termination benefits is due to the implementation of key strategic initiatives announced August 2000. Exit costs and termination benefits totaling \$25.8 million resulting from these key strategic initiatives relate to the sale and consolidation of branches (\$14.5 million, net of gains on sales of branches totaling \$2.5 million), costs to exit leasing operations (\$4.6 million), strategic consulting fees (\$2.9 million), management restructuring (\$2.1 million) and other various initiatives (\$1.7 million).

Total general and administrative expenses totaled \$251.9 million and \$238.6 million for fiscal years 2000 and 1999, respectively. Excluding charges for exit costs and termination benefits, merger-related expenses and certain other nonrecurring charges, general and administrative expenses totaled \$248.0 million and \$208.5 million for fiscal years 2000 and 1999. The net increase of \$13.3 million in general and administrative expenses for fiscal year 2000 compared to 1999 is primarily due to net increases of \$12.9 million in compensation and benefits, \$17.6 million in other expenses, \$6.5 million in data processing, \$3.9 million in exit costs and termination benefits, \$2.3 million in occupancy and equipment and \$1.2 million in advertising. These increases were offset by net decreases of \$29.9 million in merger expenses and \$1.2 million in regulatory insurance and assessments. The charges for exit costs and termination benefits of \$3.9 million reflect the expenses and charges pursuant to the sale and closing of 21 branches (\$2.4 million) and the elimination of 121 positions (\$1.5 million). The Midland acquisition, which was

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accounted for under the purchase method of accounting, contributed to the net increases in additional general and administrative expenses for fiscal year 2000. These acquisitions resulted in increased personnel wages, benefits and costs of operating additional branches, as well as other expenses incurred on an indirect basis. General and administrative expenses also increased for fiscal year 2000 compared to 1999 due to higher costs associated with the new data processing computer systems, higher item processing costs from the customer deposit delivery system implemented in the second quarter of fiscal year 1999 and to decreases in deferred costs associated with loan originations due to lower loan origination volume.

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### Intangible Assets Amortization

During the year ended December 31, 2001, the amortization of core value of deposits and goodwill totaled \$7.2 million and \$8.1 million, respectively. Amortization expense has decreased due to core value of deposits amortizing on an accelerated basis in earlier years of an acquisition and to discontinuation of amortization expense associated with the write-off of a portion of intangible assets from the August 2000 branch divestiture initiatives. Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Beginning in 2002, goodwill will no longer be amortized but will be evaluated at least on an annual basis for impairment. For the year ended December 31, 2002, goodwill totaling \$7.8 million, or approximately \$.16 per share, will not be amortized against current year operations pursuant to SFAS No. 142.

Total amortization expense of intangible assets for the six months ended December 31, 2000, was \$8.2 million compared to \$9.3 million for the six months ended December 31, 1999. The amortization expense is lower due to core value of deposits amortized on an accelerated basis and from the write-off of a portion of intangible assets from the November 1999 branch sales and closings, and the finalization of the March 1999 Midland acquisition for purchase accounting adjustments and the core value study.

Total amortization expense of intangible assets for fiscal years 2000 and 1999 was \$17.2 million and \$15.7 million, respectively. The net increase in amortization expense of intangible assets for fiscal year 2000 compared to 1999 is primarily due to the finalization of purchase accounting adjustments and the core value of deposits study for the March 1999 Midland acquisition. The amortization expense of intangible assets associated with these two acquisitions totaled \$9.9 million and \$7.8 million, respectively, for fiscal years 2000 and 1999.

### Income Tax Provision (Benefit)

The provision for income taxes totaled \$43.4 million for the year ended December 31, 2001. The effective tax rate was 30.7% for 2001 compared to the statutory rate of 35.0%. The effective tax rate was lower than the statutory rate primarily due to tax benefits from the BOLI, tax-exempt interest income and tax credits.

For the six months ended December 31, 2000, the Corporation recorded an income tax benefit totaling \$19.7 million, or an effective tax benefit rate of 28.1%. This compares to a provision for income taxes for the six months ended December 31, 1999, of \$29.2 million, or an effective tax rate of 34.7%. The effective tax benefit rate of 28.1% differs from the statutory rate of 35.0% primarily due to nondeductible goodwill, the establishment of valuation

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allowances on deferred state taxes, tax exempt interest income and low income housing tax credits.

For fiscal years 2000 and 1999 the provision for income taxes totaled \$55.3 million and \$63.3 million, respectively. The effective tax rates for fiscal years 2000 and 1999 were 34.3% and 40.6%, respectively. The effective tax rate varied from the statutory rate of 35.0% for fiscal year 2000 due to the tax benefits generated from the creation of a real estate investment trust and to increases in tax-exempt securities. The effective tax rate varied from the statutory rate for fiscal year 1999 due to the nondeductibility of certain merger-related expenses and other nonrecurring charges. A significant nondeductible merger-related expense for fiscal year 1999 was the \$14.0 million associated with the termination of the employee stock ownership plans acquired in mergers. For both fiscal years 2000 and 1999, the effective tax rates also varied from the statutory rate due to the nondeductibility of amortization of intangible assets in relation to the level of taxable income for the respective years.

### Cumulative Effect of Change in Accounting Principle

Effective July 1, 2000, the Corporation adopted the provisions of SFAS No. 133. SFAS No. 133 requires the recognition of all derivative financial instruments as either assets or liabilities in the statement of financial condition and measurement of those instruments at fair value. The Corporation's interest rate floor agreements,

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forward loan sales commitments and conforming loan commitments did not qualify for hedge accounting. Since these derivatives did not qualify for hedge accounting, this statement required that upon initial adoption, the fair values of these derivatives be recorded as a charge to operations on July 1, 2000, as a cumulative effect of a change in accounting principle. Also, under the provisions of this statement, the Corporation was permitted to transfer held-to-maturity securities to trading on July 1, 2000. The Corporation transferred held-to-maturity securities with a book value of \$432.6 million (fair value of \$404.2 million) to trading on July 1, 2000. The adjustment to fair value on the transfer of securities from held-to-maturity to trading on July 1, 2000, was also recorded as a charge to operations as a cumulative effect of change in accounting principle. The net effect of adopting the provisions of SFAS No. 133 was to record a net charge to operations totaling \$19.1 million, net of income tax benefits of \$10.3 million, or \$.35 per share, as a cumulative effect of a change in accounting principle for the six months ended December 31, 2000. See Note 22 to the Consolidated Financial Statements for additional information.

Effective July 1, 1999, the Corporation adopted the provisions of Statement of Position 98-5 "Reporting the Costs of Start-Up Activities." This statement required that costs of start-up activities and organizational costs be expensed as incurred. Prior to this statement, these costs were capitalized and amortized over periods ranging from five to 25 years. The effect of adopting the provisions of this statement was to record a charge of \$1.8 million, net of an income tax benefit of \$978,000, or \$.03 per diluted share, as a cumulative effect of a change in accounting principle for the fiscal year ended June 30, 2000. These costs consist of organizational costs primarily associated with the creation of a real estate investment trust subsidiary and start-up costs of the proof of deposit department for processing customer transactions following the conversion of the Corporation's deposit system.

Ratios

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The table below sets forth certain performance ratios of the Corporation for the periods indicated:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Y -- 20
	-----	-----	-----
Return on average assets: net income (loss) divided by average total assets (1).....	.76%	(1.01)%	
Return on average equity: net income (loss) divided by average equity (1).....	12.23	(15.30)	10
Equity-to-assets ratio: average stockholders' equity to average total assets.....	6.21	6.62	7
General and administrative expenses divided by average assets (2)...	1.81	2.16	1

- 
- (1) Return on average assets and return on average stockholders' equity for the year ended December 31, 2001, are .68% and 10.96%, respectively, excluding the after-tax effect of nonrecurring income and charges totaling \$10.1 million. Return on average assets and return on average stockholders' equity for the six months ended December 31, 2000, are .39% and 5.88%, respectively, excluding the after-tax effect of nonrecurring income and charges totaling \$96.2 million. Return on average assets and return on average stockholders' equity for fiscal year 2000 are .76% and 10.77%, respectively, excluding the after-tax effect of nonrecurring income and charges totaling \$756,000. Return on average assets and return on average stockholders' equity for fiscal year 1999 are 1.00% and 12.86%, respectively, excluding the after-tax effect of merger-related and other nonrecurring charges totaling \$27.1 million
- (2) General and administrative expenses divided by average assets for the year ended December 31, 2001, is 1.93%, excluding net gains in exit costs and termination benefits totaling \$15.6 million. The ratio for the six months ended December 31, 2000, is 1.79% and for fiscal year 2000 is 1.84% excluding the nonrecurring exit costs and termination benefits totaling \$25.8 million and \$3.9 million, respectively. The ratio for fiscal year 1999 is 1.75% excluding the merger-related and other nonrecurring charges totaling \$30.1 million.

The operating ratio for general and administrative expenses for the year ended December 31, 2001, excluding exit costs and termination benefits, is higher compared to the six months ended December 31, 2000. The operating ratio for 2001 is higher due to increased expenses associated with management incentives, legal costs and the establishment of a charitable trust along with a net decrease of \$867.6 million in average assets. The operating ratio for general and administrative expenses for the six months ended December 31, 2000, is higher compared to fiscal year 2000 due to an increase of \$21.8 million in exit costs and termination benefits. The operating ratio for general and administrative expenses for fiscal year 2000 is lower compared to 1999 due to a net increase of \$1.6 billion in average assets partially offset by an increase of \$13.3 million in general and administrative expenses. The net increase in general and administrative expenses for fiscal year 2000 over 1999 is due to a full year of expenses associated with the Midland acquisition, higher costs

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from new computer systems and item processing charges, and to lower loan origination volumes that translates to decreases in deferred costs associated with loan originations.

### Implementation of New Accounting Pronouncements

Effective April 1, 2001, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" relating to the securitization of assets. On July 20, 2001, Statement of Financial Accounting Standards No. 141 "Business Combinations" was issued, which requires that only the purchase method of accounting be applied to all business combinations initiated after June 30, 2001. Effective July 1, 2000, the Corporation adopted the provisions of SFAS No. 133. This statement required the recognition of all derivative financial instruments as either assets or liabilities in the statement of financial condition and measurement of those instruments at fair value. See Note 22 for additional information on the effect of this statement.

Effective January 1, 2002, the Corporation adopted the provisions of SFAS No. 142. Beginning January 1, 2002, goodwill will no longer be subject to amortization. For calendar year 2002, goodwill totaling \$7.8 million will not be amortized against current operations pursuant to this statement. Management of the Corporation has not completed its overall assessment of any additional effect of SFAS No. 142, and therefore has not determined the total effect that the initial adoption of this statement will have on the Corporation's financial position, liquidity or results of operations. See Note 29 for additional information on this statement.

### Liquidity and Capital Resources

The Corporation's principal asset is its investment in the capital stock of the Bank. Since the Corporation does not generate any significant revenues independent of the Bank, the Corporation's liquidity is dependent on the extent to which it receives dividends from the Bank. The Bank's ability to pay dividends to the Corporation is dependent on its ability to generate earnings and is subject to a number of regulatory restrictions and tax considerations. Under the capital distribution regulations of the OTS, the Bank is permitted to pay capital distributions during a calendar year up to 100.0% of its retained net income (net income determined in accordance with generally accepted accounting principles less total capital distributions declared) for the current calendar year combined with the Bank's retained net income for the preceding two calendar years without requiring an application for approval to be filed with the OTS. At December 31, 2001, the Bank's total distributions exceeded its retained income by \$228.2 million under this regulation thereby requiring the Bank to file an application with the OTS for any capital distribution. During calendar year 2001 the Bank recorded net income of approximately \$105.6 million but made capital distributions totaling \$216.0 million which increased this deficit. The capital distributions were made to the parent company to cover its common stock repurchases, common stock cash dividends and debt service. If the Bank's regulatory capital would fall below certain levels, then applicable regulations would require approval by the OTS of any proposed dividends and, in some cases, would prohibit the payment of dividends.

The Corporation manages its liquidity at both the parent company and subsidiary levels. At December 31, 2001, the cash of Commercial Federal Corporation (the "parent company") totaled \$13.4 million compared to



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\$36.0 million at December 31, 2000. Due to the parent company's limited independent operations, the parent company's ability to make future interest and principal payments on its \$21.7 million of 7.95% fixed-rate subordinated extendible notes due December 1, 2006, on its \$46.4 million of 9.375% fixed-rate junior subordinated debentures due May 15, 2027, and on its term and revolving credit notes is dependent upon its receipt of dividends from the Bank.

During the year ended December 31, 2001, the parent company received cash dividends totaling \$216.0 million from the Bank for:

- . the financing of common stock repurchases totaling \$161.3 million,
- . common stock cash dividends totaling \$11.5 million paid by the parent company to its common stockshareholders,
- . interest payments totaling \$9.5 million on the parent company's debt,
- . principal payments totaling \$5.4 million on the parent company's five-year term note, and
- . principal payments totaling \$28.3 million on the parent company's 7.95% subordinated extendible notes due December 1, 2006.

During the six months ended December 31, 2000, the parent company received cash dividends totaling \$57.0 million from the Bank. These dividends were for (i) common stock cash dividends totaling \$3.7 million paid by the parent company to its common stock shareholders, (ii) interest payments totaling \$5.9 million on the parent company's debt, (iii) the financing of common stock repurchases totaling \$45.6 million, and (iv) a principal payment of \$1.8 million on the parent company's five-year term note. During fiscal years 2000 and 1999, the parent company received cash dividends totaling \$117.8 million and \$73.3 million, respectively.

Cash dividends paid by the parent company to its common stock shareholders totaled \$15.2 million, \$7.8 million, \$15.8 million and \$13.5 million, respectively, during the year ended December 31, 2001, six months ended December 31, 2000, and fiscal years 2000 and 1999. The payment of dividends on the common stock is subject to the discretion of the Board of Directors of the Corporation and depends on a variety of factors, including operating results and financial condition, liquidity, regulatory capital limitations and other factors. The Bank will continue to pay dividends to the parent company, subject to regulatory restrictions, to cover future principal and interest payments on the parent company's debt and quarterly cash dividends on common stock when and as declared by the parent company. The parent company also receives cash from the exercise of stock options and the sale of stock under its employee benefit plans which totaled \$4.6 million, \$775,000, \$2.4 million and \$9.7 million, respectively, during the year ended December 31, 2001, six months ended December 31, 2000, and fiscal years 2000 and 1999. In addition, the parent company receives funds from the Bank for income tax benefits from operating losses of the parent company as provided in the corporate tax sharing agreement.

During 2001, the Corporation continued repurchasing shares of its outstanding common stock that began in April 1999. On August 14, 2000, the Corporation's Board of Directors authorized the repurchase of up to 10% of its outstanding stock, or approximately 5,500,000 shares. This repurchase was completed on August 8, 2001. On May 7, 2001, the Board authorized an additional repurchase for 5,000,000 shares. During 2001, the Corporation purchased 7,662,600 shares of its common stock at a cost of \$180.9 million. During the six months ended December 31, 2000, the Corporation repurchased and cancelled 2,765,400 shares of its common stock at a cost of \$49.0 million. During the fiscal year end June 30, 2000, the Corporation repurchased and cancelled

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3,773,500 shares of its common stock at a cost of \$63.9 million. During fiscal year 1999 the Corporation repurchased and cancelled 1,500,000 shares at a cost of \$36.2 million.

The Corporation owed \$50.0 million of 7.95% fixed-rate subordinated extendible notes due December 1, 2006 (the "Notes"). Contractual interest on the Notes is paid monthly and was set at 7.95% until December 1, 2001. The interest rate for the Notes was reset at the Corporation's option on December 1, 2001, at 7.95% until

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December 1, 2004, the next reset date selected by management. This interest rate of 7.95% exceeds 105% of the effective interest rate on comparable maturity U.S. Treasury obligations, as defined in the Indenture. These notes were redeemable by the holders on December 1, 2001. A total of \$28.3 million was redeemed, leaving an outstanding balance of \$21.7 million at December 31, 2001. The Corporation and noteholders may elect to redeem the Notes in whole on December 1, 2004, the next interest reset date, at par plus accrued interest. The Notes are unsecured general obligations of the Corporation.

The Corporation's primary sources of funds are (i) deposits, (ii) principal repayments on loans, mortgage-backed and investment securities, (iii) advances from the FHLB and (iv) cash generated from operations. Net cash flows used by operating activities totaled \$110.8 million for the year ended December 31, 2001. Net cash flows provided by operating activities totaled \$413.3 million, \$183.4 million and \$229.5 million, respectively, for the six months ended December 31, 2000, and fiscal years 2000 and 1999. Amounts fluctuate from period to period primarily as a result of mortgage banking activity relating to the purchase and origination of loans for resale and the subsequent sale of such loans. Given the lower interest rate environment in 2001, the Corporation experienced significant increases in residential loan activity. During the year ended December 31, 2001, the Corporation purchased and originated \$3.0 billion in loans for resale. Proceeds from the sales of loans totaled \$2.7 billion for the year ended December 31, 2001.

Certain amounts from operating activities for the six months ended December 31, 2000, reflect the balance sheet restructuring announced in August 2000. On July 1, 2000, the Corporation transferred approximately \$1.8 billion of held-to-sale securities to the trading and available for sale portfolios. During the six months ended December 31, 2000, the Corporation sold investment and mortgage-backed securities totaling \$1.2 billion resulting in a net loss of \$30.0 million and sold securitized residential loans totaling approximately \$1.6 billion resulting in a loss of \$18.2 million. Proceeds from these sales were used to purchase lower-risk, higher-yielding assets, repay advances from the FHLB and repurchase common stock. The purchase and origination of loans for resale totaling \$711.2 million for fiscal year 2000 is lower compared to \$1.9 billion for fiscal year 1999 primarily due to increased prepayment and refinancing activity during 1999. Proceeds from the sales of loans totaled \$762.0 million for fiscal year 2000 compared to \$2.0 billion in fiscal year 1999.

Net cash flows used by investing activities totaled \$469.1 million, \$1.2 billion and \$818.0 million for the year ended December 31, 2001, and fiscal years 2000 and 1999, respectively. Net cash flows provided by investing activities totaled \$786.2 million for the six months ended December 31, 2000. Amounts fluctuate from period to period primarily as a result of (i) principal repayments on loans and mortgage-backed securities and (ii) the purchase and origination of loans, mortgage-backed and investment securities. During the year ended December 31, 2001, the Corporation sold 34 branches as part of the

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strategic initiatives. The divestiture of these branches is represented by the \$259.1 million consisting primarily of the outflow of deposits sold totaling \$446.3 million. Also during the year ended December 31, 2001, the Corporation sold investment and mortgage-backed securities totaling \$1.1 billion resulting in pre-tax gains of \$18.3 million. These gains on the sales of investment and mortgage-backed securities were recognized in part to offset the valuation adjustment loss of \$19.1 million in the mortgage servicing rights portfolio. A substantial portion of the leasing portfolio was sold in February 2001 for cash and a secured note for \$9.5 million. The cash proceeds totaling \$34.8 million from the leasing sale were received in April 2001. During the six months ended December 31, 2000, the Corporation made an investment of \$200.0 million in a BOLI program.

Net cash flows provided by financing activities totaled \$594.4 million, \$889.6 million and \$724.7 million, respectively, for the year ended December 31, 2001, and fiscal years 2000 and 1999. Net cash flows used by financing activities totaled \$1.2 billion for the six months ended December 31, 2000. Advances from the FHLB and deposits have been the primary sources to balance the Corporation's funding needs during each of the periods presented. The net decrease of \$851.7 million in deposits for the year ended December 31, 2001, is due to the run-off of higher costing certificates of deposits and the reduction in brokered deposits used for funding needs. For the year 2001, certificates of deposit decreased by approximately \$1.2 billion, including a reduction of \$269.2 million in brokered deposits, pursuant to the Corporation's business plan. The Corporation has fixed-rate

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long-term FHLB advances with balances totaling \$1.7 billion at December 31, 2001, that are callable at the option of the FHLB. These convertible advances had call dates ranging from January 2002 to March 2003. During the year ended December 31, 2001, the Corporation has purchased \$1.0 billion of swaptions at a cost of \$68.3 million to hedge the call option on \$1.0 billion of convertible advances. On November 28, 2001, the Bank issued and sold \$30.0 million of floating rate subordinated debt securities due December 8, 2011. Interest is payable semi-annually with the initial interest rate at 6.01% that resets semi-annually equal to the six-month London Interbank Offered Rate ("LIBOR") plus 3.75%. The subordinated debt securities, unsecured, rank junior and are subordinate in right of payment of all senior debt of the Bank. On December 18, 2001, the Bank issued and sold \$20.0 million of floating rate junior subordinated debentures due December 18, 2031. Interest is payable quarterly with the initial interest rate at 5.60% that resets quarterly equal to the three-month LIBOR plus 3.60%. The junior subordinated debentures, unsecured, rank junior and are subordinate in right of payment of all senior debt of the Bank. The \$30.0 million of subordinated debt securities and the \$20.0 million of junior subordinated debentures are includable as part of supplementary Tier 2 regulatory capital for the Bank. Proceeds from these issuances were utilized by the Bank to make capital distributions to the Corporation. On November 30, 2001, a distribution for \$30.0 million was used to redeem \$28.3 million of the Corporation's 7.95% subordinated extendible notes and to repurchase common stock. On January 20, 2002, a distribution for \$20.0 million was used to repay \$7.0 million of the Corporation's revolving line of credit and to repurchase common stock. At December 31, 2001, the Corporation had borrowed \$130.0 million of Federal funds and \$7.2 million from the Treasury Tax and Loan program. During the year ended December 31, 2001, the Corporation repurchased shares of its common stock at a cost of \$180.9 million.

The Corporation experienced net increases in deposits of \$364.0 million for the six months ended December 31, 2000. The net increase in deposits for this six month period was primarily due to the Corporation's expanded use of

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brokered deposits for funding needs. At December 31, 2000, brokered certificates of deposits totaled \$322.1 million compared to \$82.4 million at June 30, 2000. During the six months ended December 31, 2000, the Corporation borrowed long-term FHLB advances that were callable at the option of the FHLB. At December 31, 2000, the Corporation had fixed-rate advances totaling \$1.7 billion that were convertible into adjustable-rate advances. These convertible advances had call dates ranging from January 2001 to March 2003. During the six months ended December 31, 2000, the Corporation repurchased shares of its common stock at a cost of \$49.0 million.

Excluding deposits acquired in acquisitions, the Corporation experienced net decreases in deposits of \$325.8 million and \$211.1 million for fiscal years 2000 and 1999, respectively. The decreases in deposits were primarily due to depositors seeking higher-yielding investment options. During fiscal years 2000 and 1999 the Corporation borrowed long-term FHLB advances that were callable at the option of the FHLB. Such advances provided the Corporation with lower costing interest-bearing liabilities than other funding alternatives. At June 30, 2000 and 1999, the Corporation had fixed-rate advances totaling \$2.3 billion and \$3.0 billion, respectively, that were convertible into adjustable-rate advances. The one-year notes for \$40.0 million from the AmerUs Bank ("AmerUs") acquisition were paid in full on July 30, 1999. The \$32.5 million term note due July 31, 2003, was refinanced on July 1, 1999. The proceeds to pay the \$40.0 million AmerUs note in full and the refinancing came from a term note for \$72.5 million due June 30, 2004, unsecured, with quarterly principal payments of \$1.8 million and interest payable quarterly. In addition, on August 30, 1999, the Corporation borrowed \$10.0 million from the same lender on a revolving line of credit. The proceeds were used to help finance the Corporation's repurchase of its common stock. During fiscal years 2000 and 1999, the Corporation repurchased shares at a cost of \$63.9 million and \$36.2 million, respectively. On August 14, 1998, First Colorado Bancorp, Inc. ("First Colorado") issued 1,400,000 shares of common stock prior to its merger with the Corporation, resulting in the receipt of proceeds totaling \$32.5 million.

### Contractual Obligations and Other Commitments

Through the normal course of operations, the Corporation has entered into certain contractual obligations and other commitments. These obligations generally relate to funding of operations through debt issuances as

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well as leases for premises and equipment. As a financial institution, the Corporation routinely enters into commitments to extend credit, including loan commitments, standby letters of credit and financial guarantees. These commitments are generally expected to settle within three months following December 31, 2001. These outstanding loan commitments to extend credit in order to originate loans or fund commercial and consumer loans lines of credit do not necessarily represent future cash requirements since many of the commitments may expire without being drawn. Such commitments are subject to the same credit policies and approval process accorded to loans made by the Corporation. The Corporation expects to fund these commitments, as necessary, from the sources of funds previously described.

The Corporation also enters into derivative financial instruments as part of its interest rate risk management process. See "Asset/Liability Management" and Note 14 to the Consolidated Financial Statements for additional information regarding derivative financial instruments.

The following table represents the Corporation's significant contractual obligations and outstanding commitments at December 31, 2001:

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(In Thousands)

To fund and purchase:	
Single-family fixed-rate mortgage loans.....	\$183,759
Single-family adjustable-rate mortgage loans.....	71,456
Commercial real estate fixed-rate loans.....	57,941
Commercial real estate adjustable-rate loans.....	93,420
Consumer, commercial operating and agricultural loans.....	13,874
Consumer unused lines of credit.....	141,773
Commercial unused lines of credit.....	41,172
Investment securities.....	805
	-----
Totals--commitments to fund and purchase.....	\$604,200
	=====
Mandatory forward delivery commitments to sell residential mortgage loans	\$445,000
	=====

Due December 31:	Long-term Operating		
	Debt	Leases	Total
-----	-----	-----	-----
2002.....	\$146,363	\$ 5,109	\$151,472
2003.....	7,250	4,560	11,810
2004.....	49,875	3,366	53,241
2005.....	--	2,321	2,321
2006.....	121,725	1,658	123,383
2007 and thereafter	195,000	10,415	205,415
	-----	-----	-----
Totals.....	\$520,213	\$27,429	\$547,642
	=====	=====	=====

The maintenance of an appropriate level of liquid resources to provide funding necessary to meet the Corporation's current business activities and obligations is an integral element in the management of the Corporation's assets. The OTS issued a final rule effective July 18, 2001, whereby savings associations are now required to only maintain sufficient liquidity to ensure their safe and sound operation. The Bank's liquidity ratio was 15.42% at December 31, 2001. Liquidity levels will vary depending upon savings flows, future loan fundings, cash operating needs, collateral requirements and general prevailing economic conditions. The Bank does not foresee any difficulty in meeting its liquidity requirements.

Impact of Inflation and Changing Prices

The consolidated financial statements and related consolidated financial information are prepared in accordance with generally accepted accounting principles, which require the measurement of financial position

and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities

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of a financial institution are monetary in nature. As a result, interest rates have a more significant effect on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information included in the "Asset/Liability Management" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations," included under Item 7 of this Report, is incorporated herein by reference.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### Management's Report On Internal Controls

Management of Commercial Federal Corporation is responsible for the preparation, integrity, and fair presentation of its published consolidated financial statements and all other information presented in this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed judgments and estimates made by Management.

Management is responsible for establishing and maintaining effective internal control over financial reporting, including safeguarding of assets. The internal control contains monitoring mechanisms and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed Commercial Federal Corporation's internal control over financial reporting, including the safeguarding of assets, as of December 31, 2001. This assessment was based on the criteria for effective internal control described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, Management believes that Commercial Federal Corporation maintained effective internal control over financial reporting, including safeguarding of assets, as of December 31, 2001.

/s/ William A. Fitzgerald /s/ David S. Fisher

William A. Fitzgerald                      David S. Fisher  
Chairman of the Board and      Chief Financial Officer  
Chief Executive Officer

### INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders  
Commercial Federal Corporation  
Omaha, Nebraska

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We have audited the accompanying consolidated statements of financial condition of Commercial Federal Corporation and subsidiaries (the "Corporation") as of December 31, 2001 and 2000, and as of June 30, 2000, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the year ended December 31, 2001, for the six months ended December 31, 2000, and for each of the two years in the period ended June 30, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Commercial Federal Corporation and subsidiaries as of December 31, 2001 and 2000, and as of June 30, 2000, and the results of their operations and their cash flows for the year ended December 31, 2001, for the six months ended December 31, 2000, and for each of the two years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the consolidated financial statements, effective July 1, 2000, the Corporation changed its method of accounting for derivatives to conform with the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". As discussed in Note 22 to the consolidated financial statements, effective July 1, 1999, the Corporation changed its method of accounting for start-up activities and organizational costs to conform with the provisions of Statement of Position 98-5 "Reporting the Costs of Start-Up Activities".

/s/ Deloitte & Touche LLP

Omaha, Nebraska  
February 7, 2002

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	December 31,		
	2001	2000	Ju
	-----	-----	---
	(Dollars in Thousands)		
ASSETS			
Cash (including short-term investments of \$590, \$1,283 and \$1,086).....	\$ 206,765	\$ 192,358	\$

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Investment securities available for sale, at fair value.....	1,150,345	771,137	
Mortgage-backed securities available for sale, at fair value.....	1,829,728	1,514,510	
Loans and leases held for sale, net.....	470,647	242,200	
Investment securities held to maturity (fair value of \$857,786)....	--	--	
Mortgage-backed securities held to maturity (fair value of \$835,095).....	--	--	
Loans receivable, net of allowances of \$102,359, \$82,263 and \$70,497.....	7,932,778	8,651,174	10
Federal Home Loan Bank stock.....	253,946	251,537	
Real estate, net.....	57,476	38,331	
Premises and equipment, net.....	158,691	167,210	
Bank owned life insurance.....	214,585	200,713	
Other assets.....	435,174	303,707	
Core value of deposits, net of accumulated amortization of \$54,900, \$51,835 and \$47,932.....	28,733	36,209	
Goodwill, net of accumulated amortization of \$30,927, \$22,814 and \$18,564.....	162,717	171,218	
	-----	-----	-----
Total Assets.....	\$12,901,585	\$12,540,304	\$13
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits.....	\$ 6,396,522	\$ 7,694,486	\$ 7
Advances from Federal Home Loan Bank.....	4,939,056	3,565,465	5
Other borrowings.....	520,213	175,343	
Other liabilities.....	311,140	241,271	
	-----	-----	-----
Total Liabilities.....	12,166,931	11,676,565	12
	-----	-----	-----
Commitments and Contingencies			
	--	--	
	-----	-----	-----
Stockholders' Equity:			
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued.....	--	--	
Common stock, \$.01 par value; 120,000,000 shares authorized; 45,974,648, 53,208,628 and 55,922,884 shares issued and outstanding.....	460	532	
Additional paid-in capital.....	80,799	255,870	
Retained earnings.....	705,160	622,659	
Accumulated other comprehensive loss, net.....	(51,765)	(15,322)	
	-----	-----	-----
Total Stockholders' Equity.....	734,654	863,739	
	-----	-----	-----
Total Liabilities and Stockholders' Equity.....	\$12,901,585	\$12,540,304	\$13
	=====	=====	=====

See accompanying Notes to Consolidated Financial Statements.

COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Six Months  
Year Ended      Ended



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	December 31, 2001	December 31, 2000	2000	
-----				
(Dollars in Thousands)				
Interest Income:				
Loans receivable.....	\$685,480	\$408,582	\$759,711	\$7
Mortgage-backed securities.....	109,657	49,334	82,563	
Investment securities.....	76,237	40,816	85,416	
	-----	-----	-----	-----
Total interest income.....	871,374	498,732	927,690	8
Interest Expense:.....				
Deposits.....	310,367	184,579	325,674	3
Advances from Federal Home Loan Bank.....	234,213	152,317	240,924	1
Other borrowings.....	19,365	7,401	18,951	
	-----	-----	-----	-----
Total interest expense.....	563,945	344,297	585,549	5
Net Interest Income.....	307,429	154,435	342,141	3
Provision for Loan Losses.....	(38,945)	(27,854)	(13,760)	(
	-----	-----	-----	-----
Net Interest Income After Provision for Loan Losses.....	268,484	126,581	328,381	3
Other Income (Loss):				
Retail fees and charges.....	53,519	25,650	43,230	
Loan servicing fees, net.....	3,622	11,521	25,194	
Gain (loss) on sales of securities and changes in fair value of derivatives, net.....	15,422	(69,462)	--	
Gain (loss) on sales of loans.....	8,739	(18,023)	(110)	
Bank owned life insurance.....	13,872	713	--	
Real estate operations.....	(6,971)	(4,809)	(88)	
Other operating income.....	32,184	14,304	33,613	
	-----	-----	-----	-----
Total other income (loss).....	120,387	(40,106)	101,839	
Other Expense (Gain):				
General and administrative expenses--				
Compensation and benefits.....	105,120	53,306	111,720	
Occupancy and equipment.....	37,726	19,015	38,873	
Data processing.....	18,019	9,685	18,834	
Advertising.....	11,995	6,531	15,100	
Communication.....	13,731	7,109	16,201	
Item processing.....	16,413	8,120	15,683	
Outside services.....	11,152	6,058	8,422	
Other operating expenses.....	33,880	12,801	23,157	
Exit costs and termination benefits.....	(15,566)	25,764	3,941	
Merger expenses.....	--	--	--	
	-----	-----	-----	-----
Total general and administrative expenses.....	232,470	148,389	251,931	2
Amortization of core value of deposits.....	7,211	3,903	8,563	
Amortization of goodwill.....	8,134	4,250	8,673	
	-----	-----	-----	-----
Total other expense.....	247,815	156,542	269,167	2
Income (Loss) Before Income Taxes and Cumulative Effect of Change in Accounting Principle.....	141,056	(70,067)	161,053	1
Income Tax Provision (Benefit).....	43,374	(19,691)	55,269	
	-----	-----	-----	-----
Income (Loss) Before Cumulative Effect of Change in Accounting Principle.....	97,682	(50,376)	105,784	
	-----	-----	-----	-----
Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit.....	--	(19,125)	(1,776)	
	-----	-----	-----	-----
Net Income (Loss).....	\$ 97,682	\$(69,501)	\$104,008	\$

COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF OPERATIONS--(Continued)

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	2000	19
Weighted Average Number of Common Shares Outstanding Used in Basic Earnings Per Share Calculation.....	49,995,621	54,705,067	58,024,192	59,5
Add Assumed Exercise of Outstanding Stock Options as Adjustments for Dilutive Securities.....	497,298	--	218,173	5
Weighted Average Number of Common Shares Outstanding Used in Diluted Earnings Per Share Calculation.....	50,492,919	54,705,067	58,242,365	60,1
Basic Earnings (Loss) Per Common Share:				
Income (loss) before cumulative effect of change in accounting principle.....	\$ 1.95	\$ (.92)	\$ 1.82	\$
Cumulative effect of change in accounting principle, net.....	--	(.35)	(.03)	
Net Income (Loss).....	\$ 1.95	\$ (1.27)	\$ 1.79	\$
Diluted Earnings (Loss) Per Common Share:				
Income (loss) before cumulative effect of change in accounting principle.....	\$ 1.93	\$ (.92)	\$ 1.82	\$
Cumulative effect of change in accounting principle, net.....	--	(.35)	(.03)	
Net Income (Loss).....	\$ 1.93	\$ (1.27)	\$ 1.79	\$
Dividends Declared Per Common Share.....	\$ .310	\$ .140	\$ .275	\$

See accompanying Notes to Consolidated Financial Statements.

COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

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	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year End ----- 2000
			----- (Dollars in Thousands)
Net Income (Loss).....	\$ 97,682	\$ (69,501)	\$104,008
Other Comprehensive Income (Loss):			
Unrealized holding gains (losses) on securities available for sale.....	28,890	77,728	(12,242)
Fair value adjustment on interest rate swap agreements.....	(72,661)	(92,749)	--
Fair value change in interest only strips.....	1,901	(2,347)	2,057
Reclassification of net losses (gains) included in net income (loss) pertaining to:.....			
Securities sold.....	(18,298)	29,970	--
Termination of swap agreements.....	--	38,209	--
Amortization of fair value adjustments of interest rate swap agreements.....	2,034	170	--
Other Comprehensive Income (Loss) Before Income Taxes and Cumulative Effect of Change in Accounting Principle....	(58,134)	51,628	(10,185)
Income Tax Provision (Benefit).....	(21,691)	20,250	(3,807)
Other Comprehensive Income (Loss) Before Cumulative Effect of Change in Accounting Principle.....	(36,443)	31,378	(6,378)
Cumulative Effect of Change in Accounting Principle, Net of Tax Benefit.....	--	(30,760)	--
Other Comprehensive Income (Loss).....	(36,443)	618	(6,378)
Comprehensive Income (Loss).....	\$ 61,239	\$ (68,883)	\$ 97,630

See accompanying Notes to Consolidated Financial Statements.

COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Unearned Employee Stock Ownership Plan Shares	Total
					----- (Dollars in Thousands)



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employee plans.....	1	800	--	--	--	80
Restricted stock and deferred compensation plans, net.....	--	360	--	--	--	36
Purchase and cancellation of 2,765,400 shares of common stock.....	(28)	(48,925)	--	--	--	(48,95)
Cash dividends declared.....	--	--	(7,564)	--	--	(7,56)
Net loss.....	--	--	(69,501)	--	--	(69,50)
Other comprehensive income.....	--	--	--	618	--	61
Balance, December 31, 2000.....	532	255,870	622,659	(15,322)	--	863,73
Issuance of 428,620 shares under certain compensation and employee plans.....	5	5,426	--	--	--	5,43
Restricted stock and deferred compensation plans, net.....	--	303	--	--	--	30
Purchase and cancellation of 7,662,600 shares of common stock.....	(77)	(180,800)	--	--	--	(180,87
Cash dividends declared.....	--	--	(15,181)	--	--	(15,18
Net income.....	--	--	97,682	--	--	97,68
Other comprehensive loss.....	--	--	--	(36,443)	--	(36,44
Balance, December 31, 2001.....	\$460	\$ 80,799	\$705,160	\$ (51,765)	\$ --	\$ 734,65

See accompanying Notes to Consolidated Financial Statements.

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year En 2000
(Dollars in Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss).....	\$ 97,682	\$ (69,501)	\$ 104,008
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Cumulative effect of changes in accounting principles, net.....	--	19,125	1,776
Amortization of core value of deposits.....	7,211	3,903	8,563
Amortization of goodwill.....	8,134	4,250	8,673
Provision for losses on loans.....	38,945	27,854	13,760
Depreciation and amortization.....	18,841	9,968	20,414
Amortization of deferred discounts and fees, net.....	3,947	1,493	581
Amortization of mortgage servicing rights.....	17,092	4,558	8,703
Valuation adjustment of mortgage servicing rights.....	19,058	583	--
Deferred tax provision (benefit).....	(15,422)	(30,965)	34,302

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Loss (gain) on sales of real estate and loans, net....	(9,564)	17,593	(1,258)
Loss (gain) on sales of securities and change in fair value of derivatives, net.....	(15,422)	69,462	--
Gain on sales of facilities.....	(18,304)	(2,516)	(8,506)
Stock dividends from Federal Home Loan Bank.....	--	--	(7,479)
Proceeds from sales of mortgage-backed securities--trading.....	--	65,596	--
Proceeds from sales of investment securities--trading.....	--	339,123	--
Proceeds from sales of loans.....	2,745,118	631,542	761,960
Origination of loans for resale.....	(913,931)	(199,364)	(185,994)
Purchases of loans for resale.....	(2,098,729)	(445,265)	(525,236)
Increase in bank owned life insurance.....	(13,872)	(713)	--
Decrease (increase) in interest receivable.....	11,878	(2,544)	(4,478)
Increase (decrease) in interest payable and other liabilities.....	86,050	23,337	17,587
Other items, net.....	(81,103)	(54,215)	(63,949)
	-----	-----	-----
Total adjustments.....	(208,512)	482,805	79,419
	-----	-----	-----
Net cash (used) provided by operating activities.....	\$ (110,830)	\$ 413,304	\$ 183,427
	=====	=====	=====

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS--(Continued)

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended December 31, 2000
	-----	-----	-----
			(Dollars in Thousands)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of loans.....	\$ (489,976)	\$ (283,198)	\$ (1,430,920)
Proceeds from sales of securitized loans.....	--	1,633,330	--
Repayment of loans, net of originations.....	903,881	144,025	222,190
Principal repayments of mortgage-backed securities available for sale.....	711,280	107,684	45,869
Purchases of mortgage-backed securities available for sale.....	(1,074,215)	(909,599)	--
Proceeds from sales of mortgage-backed securities available for sale.....	102,131	463,257	--
Principal repayments of mortgage-backed securities held to maturity.....	--	--	195,043
Purchases of mortgage-backed securities held to maturity.....	--	--	(160,073)
Maturities and repayments of investment securities held to maturity.....	--	--	41,207
Purchases of investment securities held to maturity...	--	--	(105,865)

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Purchases of investment securities available for sale.	(1,475,511)	(467,033)	--
Proceeds from sales of investment securities available for sale.....	977,146	269,007	--
Maturities and repayments of investment securities available for sale.....	135,363	23,439	10,170
Purchase of bank-owned life insurance.....	--	(200,000)	--
Proceeds from sales of Federal Home Loan Bank stock...	69,889	15,841	3,571
Purchases of Federal Home Loan Bank stock.....	(72,299)	(11,622)	(57,719)
Divestiture of branches, net.....	(259,102)	--	--
Acquisitions, net of cash paid.....	--	--	--
Proceeds from sales of real estate.....	19,554	11,372	24,371
Payments to acquire real estate.....	(2,285)	(278)	(406)
Purchases of premises and equipment, net.....	(12,349)	(5,074)	(8,298)
Other items, net.....	(2,639)	(4,911)	(5,826)
	-----	-----	-----
Net cash (used) provided by investing activities.....	\$ (469,132)	\$ 786,240	\$ (1,226,686)
	=====	=====	=====

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS-- (Continued)

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended ----- 2000
	-----	-----	-----
	(Dollars in Thousands)		
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in deposits.....	\$ (851,697)	\$ 363,986	\$ (325,809)
Proceeds from Federal Home Loan Bank advances.....	1,807,060	400,000	3,413,000
Repayments of Federal Home Loan Bank advances.....	(444,450)	(1,884,120)	(1,995,350)
Proceeds from securities sold under agreements to repurchase.....	264,073	4,727	12,902
Repayments of securities sold under agreements to repurchase.....	(69,066)	(31,201)	(107,143)
Proceeds from issuances of other borrowings.....	187,195	--	50,000
Repayments of other borrowings.....	(37,338)	(4,211)	(80,742)
Purchases of swaption agreements.....	(68,344)	--	--
Payments of cash dividends on common stock.....	(15,239)	(7,755)	(15,776)
Repurchases of common stock.....	(180,877)	(48,953)	(63,895)
Issuance of common stock.....	4,579	775	2,363
Other items, net.....	(1,527)	--	--
	-----	-----	-----
Net cash provided (used) by financing activities.....	594,369	(1,206,752)	889,550
	-----	-----	-----
CASH AND CASH EQUIVALENTS			
Increase (decrease) in net cash position.....	14,407	(7,208)	(153,709)
Balance, beginning of year.....	192,358	199,566	353,275
	-----	-----	-----

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Balance, end of year.....	\$ 206,765	\$ 192,358	\$ 199,566
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF  
CASH FLOW INFORMATION

Cash paid (received) during the year for:

Interest expense.....	\$ 581,524	\$ 338,028	\$ 583,440
Income taxes, net.....	31,049	(12,361)	6,514
Non-cash investing and financing activities:			
Securities transferred from held-to-maturity to trading.....	--	432,596	--
Securities transferred from held-to-maturity to available for sale.....	--	1,318,599	--
Loans exchanged for mortgage-backed securities.....	41,910	3,543	42,635
Loans transferred to real estate.....	41,371	6,998	24,002
Loans to facilitate the sale of real estate.....	180	--	--
Common stock received in connection with employee benefit and incentive plans, net.....	(114)	--	(135)

See accompanying Notes to Consolidated Financial Statements.

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Columnar Dollars in Footnotes are in Thousands Except Per Share Amounts)

Note 1. Summary of Significant Accounting Policies

Nature of Business

The Corporation is a unitary non-diversified savings and loan holding company whose primary asset is the Bank. The Bank is a consumer-oriented financial institution that emphasizes single-family residential and construction real estate lending, consumer lending, commercial real estate lending, commercial and agribusiness lending, community banking operations, retail deposit activities, mortgage banking, and other retail financial services. The Bank conducts loan origination activities through its branch office network, loan offices of its wholly-owned mortgage banking subsidiary and a nationwide correspondent network.

Basis of Consolidation

The consolidated financial statements are prepared on an accrual basis and include the accounts of Commercial Federal Corporation, its wholly-owned subsidiary, Commercial Federal Bank, a Federal Savings Bank, and all majority-owned subsidiaries of the Corporation and Bank. All significant intercompany balances and transactions have been eliminated. Certain amounts in the prior periods presented have been reclassified to conform to the December 31, 2001, presentation for comparative purposes.

Change in Fiscal Year End



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On August 14, 2000, the Board of Directors approved a change in the Corporation's fiscal year end from June 30 to December 31. This change was effective December 31, 2000. As a result, the Corporation reported a six month transition period from July 1, 2000, through December 31, 2000, reflecting the Corporation's six months of operations, comprehensive income (loss), cash flows and changes in stockholders' equity.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash, amounts due from banks and federal funds sold. Generally, federal funds are purchased and sold for a one-day period.

### Securities

Securities are classified in one of three categories and accounted for as follows:

- . debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as "held-to-maturity securities,"
- . debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and
- . debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as "available-for-sale securities."

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Held to maturity securities are reported at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported net of deferred income taxes as a separate component of accumulated other comprehensive income (loss).

Premiums and discounts are amortized over the contractual lives of the related securities on the level yield method. Any unrealized losses on securities reflecting a decline in their fair value considered to be other than temporary are charged against earnings. Realized gains or losses on securities available for sale are based on the specific identification method and are included in results of operations on the trade date of the sales transaction.

### Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity are recorded at the contractual amounts owed by borrowers less unamortized discounts, net of premiums, undisbursed funds on loans in process, deferred loan fees and allowance for loan losses. Interest on

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loans is accrued to income as earned, except that interest is not accrued on first mortgage loans contractually delinquent 90 days or more. Any related discounts or premiums on loans purchased are amortized into interest income using the level yield method over the contractual lives of the loans, adjusted for actual prepayments. Loan origination fees, commitment fees and direct loan origination costs are deferred and recognized over the estimated average life of the loan as a yield adjustment.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to make the payments as they become due. When the interest accrual is discontinued, all unpaid accrued interest is reversed reducing interest income. Interest income is subsequently recognized only to the extent that cash payments are received.

Loans held for sale are carried at the lower of aggregate cost or fair value except for loans designated as a hedge which are carried at fair value. Fair value is determined by outstanding commitments from investors or current investor yield requirements calculated on an aggregate loan basis. Valuation adjustments, if necessary, are recorded in current operations.

### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for estimated credit losses inherent in the loan portfolio as of the balance sheet date. The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. The allowance for loan losses consists of two elements. The first element is an allocated allowance established for specifically identified loans that are evaluated individually for impairment and are considered to be individually impaired. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Impairment is measured by (i) the fair value of the collateral if the loan is collateral dependent (the primary method used by the Corporation), (ii) the present value of expected future cash flows, or (iii) the loan's obtainable market price. The second element is an estimated allowance established for impairment on each of the Corporation's pools of outstanding loans. These estimated allowances are based on several analysis factors including the Corporation's past loss experience, general economic and business conditions, geographic and industry concentrations, credit quality and delinquency trends, and known and inherent risks in each of the portfolios. These evaluations are inherently subjective as they require revisions as more information becomes available.

### Real Estate

Real estate includes real estate acquired through foreclosure, real estate in judgment and real estate held for investment. Real estate held for investment includes equity in unconsolidated joint ventures and investment in real estate partnerships.

Real estate acquired through foreclosure and in judgment are recorded at the lower of cost or fair value less estimated costs to sell at the date of foreclosure. After foreclosure, impairment losses are recorded when the carrying value exceeds the fair value less estimated costs to sell the property.

Real estate held for investment is stated at the lower of cost or net

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realizable value. Cost includes acquisition costs plus construction costs of improvements, holding costs and costs of amenities. Joint venture and partnership investments are carried on the equity method of accounting not to exceed net realizable value, where applicable. The Corporation's ability to recover the carrying value of real estate held for investment (including capitalized interest) is based upon future sales of land or projects. The ability to sell this real estate is subject to market conditions and other factors which may be beyond the Corporation's control.

### Mortgage Servicing Rights

Mortgage servicing rights are established based on the cost of acquiring the right to service mortgage loans or the allocated fair value of servicing rights retained on originated loans sold. These costs are initially capitalized and then amortized proportionately over the period based on the ratio of net servicing income received in the current period to total net servicing income projected to be realized from the mortgage servicing rights. Projected net servicing income is determined on the basis of the estimated future balance of the underlying mortgage loan portfolio. This portfolio decreases over time from scheduled loan amortization and prepayments. The Corporation estimates future prepayment rates based on relevant characteristics of the servicing portfolio, such as loan types, interest rate stratification and recent prepayment experience, as well as current interest rate levels, market forecasts and other economic conditions.

The Corporation reports mortgage servicing rights at the lower of amortized cost or fair value. The carrying value of mortgage servicing rights is adjusted by the fair value of any related interest rate floor agreements and possible impairment losses. The fair value of mortgage servicing rights is determined based on the present value of estimated expected future cash flows, using assumptions as to current market discount rates and prepayment speeds. Mortgage servicing rights are stratified by loan type and interest rate for purposes of impairment measurement. Loan types include government, conventional and adjustable-rate mortgage loans. Impairment losses are recognized to the extent the unamortized mortgage servicing rights for each stratum exceed the current fair value of that stratum. Impairment losses by stratum are recorded as reductions in the carrying value of the asset through a valuation allowance with a corresponding reduction to loan servicing income. Individual allowances for each stratum are adjusted in subsequent periods to reflect changes in impairment. Valuation allowances totaling \$19,641,000 and \$583,000, respectively, were outstanding at December 31, 2001 and 2000. No valuation allowance was necessary as of June 30, 2000 or 1999.

### Premises and Equipment

Land is carried at cost. Buildings, building improvements, leasehold improvements and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets. Estimated lives are 10 to 50 years for buildings and three to 15 years for furniture, fixtures and equipment. Leasehold improvements are generally amortized on the straight-line method over the terms of the respective leases. Betterments are capitalized and maintenance and repairs are charged to expense as incurred.

### Intangible Assets

Intangible assets consist primarily of goodwill and core value of deposits. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired in business combinations. Core value of deposits represents the identifiable intangible value assigned to core deposit bases arising from purchase acquisitions. The Corporation reviews its

intangible assets for impairment at least annually or whenever events or

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changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. An impairment loss would be recognized if the sum of expected future cash flows (undiscounted and without interest charges) resulting from the use of the asset is less than the carrying amount of the asset. If an assessment indicates that the value of the intangible asset may be impaired, then an impairment loss is recognized for the difference between the carrying value of the asset and its estimated fair value.

Core value of deposits is amortized on an accelerated basis over a period not to exceed 10 years. Goodwill is amortized on a straight-line basis over periods up to 25 years. Effective January 1, 2002, the Corporation adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," which requires that upon initial adoption, amortization of goodwill will cease, and the carrying value of goodwill will be evaluated for impairment. Thereafter, goodwill will be evaluated at least annually for impairment.

#### Derivative Financial Instruments

Effective July 1, 2000, derivatives are recognized as either assets or liabilities in the consolidated statement of financial condition and measured at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative designated as hedging the exposure to changes in fair value of an asset and liability (referred to as a fair value hedge), any gain or loss associated with the derivative is reported in earnings along with the change in fair value of the asset or liability being hedged. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will continue to be carried on the consolidated statement of financial condition at its fair value, and gains and losses that were accumulated in other comprehensive income (loss) will be recognized immediately in earnings. When the hedged forecasted transaction is no longer probable, but is reasonably possible, the accumulated gain or loss remains in accumulated other comprehensive income (loss) and will be recognized when the transaction affects earnings; however, prospective hedge accounting for this transaction is terminated. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the consolidated statement of financial condition, with changes in its fair value recognized in current period earnings.

On the date the Corporation enters into a derivative contract, management designates the derivative as a hedge of the identified cash flow exposure, fair value exposure, or as a "no hedging" derivative. If a derivative does not qualify in a hedging relationship, the derivative is recorded at fair value and changes in its fair value are reported currently in earnings.

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The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Corporation specifically identifies the asset, liability, firm commitment, or forecasted transaction that has been designated as a hedged item and states how the hedging instrument is expected to hedge the risks related to the hedged item. The Corporation formally measures effectiveness of its hedging relationships both at the hedge inception and on an ongoing basis in accordance with its risk management policy.

Income Taxes

The Corporation files a consolidated federal income tax return and separate state income tax returns. The Corporation and its subsidiaries entered into a tax-sharing agreement that provides for the allocation and payment

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of federal and state income taxes. The provision for income taxes of each corporation is computed on a separate company basis, subject to certain adjustments. The Corporation calculates income taxes on the liability method. Under the liability method the net deferred tax asset or liability is determined based on the tax effects of the differences between the book and tax bases of the various assets and liabilities of the Corporation giving current recognition to changes in tax rates and laws.

Earnings (Loss) per Common Share

Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock (i) were exercised or converted into common stock or (ii) resulted in the issuance of common stock that then shared in the earnings of the entity. The conversion of 279,783 stock options during the six months ended December 31, 2000, in which the Corporation incurred a loss before cumulative effect of change in accounting principle, is not assumed in computing the diluted loss per share since the effect is anti-dilutive.

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Note 2. Investment Securities

Investment securities are summarized as follows:

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair
-----	-----	-----	-----	-----
Available for sale:				
U.S. Treasury and other Government agency obligations.	\$ 846,795	\$ 8,480	\$ (7,144)	\$ 84
States and political subdivisions.....	177,459	3,306	(1,171)	17
Other securities.....	118,472	4,490	(342)	12
	-----	-----	-----	-----
	\$1,142,726	\$16,276	\$ (8,657)	\$1,15

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Weighted average interest rate..... 5.48%

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury and other Government agency obligations.	\$534,283	\$ 4,895	\$ (4,676)	\$534,5
States and political subdivisions.....	137,208	4,359	(204)	141,3
Other securities.....	93,848	1,495	(71)	95,2
	\$765,339	\$10,749	\$ (4,951)	\$771,1
Weighted average interest rate.....	6.51%			

On July 1, 2000, pursuant to the provisions of SFAS No. 133, investment securities with an amortized cost of \$893,419,000 and a fair value of \$828,516,000 were transferred from securities held to maturity to securities available for sale (fair value of \$491,865,000) and trading securities (fair value of \$336,651,000). See Note 22 "Cumulative Effect of Changes in Accounting Principles" for additional information. All of the trading securities transferred at July 1, 2000, were sold during the three months ended September 30, 2000. At December 31, 2001 and 2000, the Corporation did not have any investment securities classified as held to maturity or trading in its portfolio.

June 30, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury and other Government agency obligations.	\$ 71,591	\$ --	\$ (3,535)	\$ 68,0
States and political subdivisions.....	2,491	--	(69)	2,4
	\$ 74,082	\$ --	\$ (3,604)	\$ 70,4
Weighted average interest rate.....	6.61%			
Held to maturity:				
U.S. Treasury and other Government agency obligations.	\$826,043	\$ 1	\$ (61,629)	\$764,4
States and political subdivisions.....	49,224	143	(1,700)	47,6
Other securities.....	47,422	--	(1,718)	45,7
	\$922,689	\$144	\$ (65,047)	\$857,7
Weighted average interest rate.....	6.68%			

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At December 31, 2001 and 2000, the Corporation recorded unrealized gains on securities available for sale as net increases to accumulated other comprehensive income (loss) totaling \$7,619,000 and \$5,798,000, respectively, net of deferred taxes of \$2,721,000 and \$2,148,000, respectively. At June 30, 2000, the Corporation recorded unrealized losses on securities available for sale as a decrease to accumulated other comprehensive income (loss) totaling \$3,604,000, net of deferred tax benefits of \$1,345,000.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2001, are shown below. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less.....	\$ 950	\$ 956
Due after one year through five years.	201,581	209,927
Due after five years through ten years	682,158	678,723
Due after ten years.....	258,037	260,739
	-----	-----
	\$1,142,726	\$1,150,345
	=====	=====

Activity from the sales of investment securities available for sale for the respective periods is summarized as follows:

	Proceeds	Gross Realized Gains	Gross Realized Losses	Net Gain (Loss)
Year Ended December 31, 2001.....	\$977,146	\$20,954	\$ (6,227)	\$ 14,727
Six Months Ended December 31, 2000	269,007	2,466	(14,210)	(11,744)
Fiscal Year Ended June 30:				
2000.....	--	--	--	--
1999.....	30,153	491	--	491

At December 31, 2001 and 2000, and June 30, 2000, investment securities totaling \$58,606,000, \$132,033,000 and \$90,567,000, respectively, were pledged primarily to secure public funds, interest rate swap agreements and securities sold under agreements to repurchase.

Note 3. Mortgage-Backed Securities

Mortgage-backed securities are summarized as follows:

Gross                      Gross

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December 31, 2001	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Federal Home Loan Mortgage Corporation...	\$ 53,660	\$ 1,274	\$ (7)	\$ 54,927
Government National Mortgage Association.	260,358	4,528	(120)	264,766
Federal National Mortgage Association....	101,646	1,999	(270)	103,375
Collateralized Mortgage Obligations.....	1,382,117	21,773	(5,292)	1,398,598
Other.....	7,970	95	(3)	8,062
	-----	-----	-----	-----
	\$1,805,751	\$29,669	\$ (5,692)	\$1,829,728
	=====	=====	=====	=====
Weighted average interest rate.....	6.42%			
	=====			

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December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Federal Home Loan Mortgage Corporation...	\$ 75,454	\$ 557	\$ (582)	\$ 75,429
Government National Mortgage Association.	322,658	1,996	(2,108)	322,546
Federal National Mortgage Association....	64,298	897	(376)	64,819
Collateralized Mortgage Obligations.....	1,014,809	15,209	(329)	1,029,689
Other.....	22,086	10	(69)	22,027
	-----	-----	-----	-----
	\$1,499,305	\$18,669	\$ (3,464)	\$1,514,510
	=====	=====	=====	=====
Weighted average interest rate.....	6.79%			
	=====			

On July 1, 2000, pursuant to the provisions of SFAS No. 133, mortgage-backed securities with an amortized cost of \$857,776,000 and a fair value of \$835,052,000 were transferred from securities held to maturity to securities available for sale (fair value of \$767,542,000) and trading securities (fair value of \$67,510,000). See Note 22 "Cumulative Effect of Changes in Accounting Principles" for additional information. All of the trading securities transferred at July 1, 2000, were sold during the three months ended September 30, 2000. At December 31, 2001 and 2000, the Corporation did not have any mortgage-backed securities classified as held to maturity or trading in its portfolio.

June 30, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
Federal Home Loan Mortgage Corporation....	\$ 77,912	\$ 57	\$ (4,644)	\$ 73,325
Government National Mortgage Association..	34,290	--	(941)	33,349



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Federal National Mortgage Association.....	241,956	53	(16,153)	225,856
Collateralized Mortgage Obligations.....	28,006	--	(2,173)	25,833
Other.....	4,491	28	(126)	4,393
	-----	-----	-----	-----
	\$386,655	\$ 138	\$ (24,037)	\$362,756
	=====	=====	=====	=====
Weighted average interest rate.....	6.20%			
	=====			
Held to maturity:				
Federal Home Loan Mortgage Corporation....	\$201,191	\$ 767	\$ (7,953)	\$194,005
Government National Mortgage Association..	343,623	97	(8,289)	335,431
Federal National Mortgage Association.....	73,116	654	(2,146)	71,624
Collateralized Mortgage Obligations.....	231,183	19	(4,975)	226,227
Privately Issued Mortgage Pool Securities..	8,269	524	(985)	7,808
	-----	-----	-----	-----
	\$857,382	\$2,061	\$ (24,348)	\$835,095
	=====	=====	=====	=====
Weighted average interest rate.....	6.58%			
	=====			

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Mortgage-backed securities held to maturity at June 30, 2000, are classified by type of interest payment and contractual maturity term as follows:

	Amortized Cost	Fair Value	Weighted Rate
	-----	-----	-----
Adjustable rate.....	\$309,855	\$304,130	6.74%
Fixed rate, 5-year term.....	12,072	11,998	6.50
Fixed rate, 7-year term.....	3,008	2,985	5.50
Fixed rate, 15-year term.....	203,140	193,156	6.11
Fixed rate, 30-year term.....	98,124	96,599	7.42
	-----	-----	-----
	626,199	608,868	6.63
Collateralized mortgage obligations	231,183	226,227	6.46
	-----	-----	-----
	\$857,382	\$835,095	6.58%
	=====	=====	=====

At December 31, 2001 and 2000, the Corporation recorded unrealized gains on securities available for sale as net increases to accumulated other comprehensive income (loss) totaling \$23,977,000 and \$15,205,000, respectively, net of deferred income taxes of \$6,474,000 and \$5,654,000. At June 30, 2000, the Corporation recorded unrealized losses on securities available for sale as a decrease to accumulated other comprehensive income (loss) totaling \$23,899,000, net of deferred income tax benefits of \$8,907,000.

Activity from the sales of mortgage-backed securities available for sale for the respective periods is summarized as follows:

Gross	Gross	
Realized	Realized	Net Gain

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	Proceeds	Gains	Losses	(Loss)
	-----	-----	-----	-----
Year Ended December 31, 2001.....	\$102,131	\$3,571	\$ --	\$ 3,571
Six Months Ended December 31, 2000	463,257	876	(19,102)	(18,226)
Fiscal Year Ended June 30:				
2000.....	--	--	--	--
1999.....	209,789	3,885	--	3,885

At December 31, 2001 and 2000, and June 30, 2000, mortgage-backed securities totaling \$909,987,000, \$296,749,000 and \$542,947,000, respectively, were pledged as collateral primarily for collateralized mortgage obligations, public funds, advances from the Federal Home Loan Bank, securities sold under agreements to repurchase and interest rate swap agreements.

Note 4. Loans Held for Sale

Loans held for sale at December 31, 2001 and 2000, and June 30, 2000, totaled \$470,647,000, \$242,200,000 and \$183,356,000, respectively, with weighted average rates of 6.30%, 8.57% and 8.15%. Loans held for sale are secured by single-family residential properties totaling \$470,527,000 at December 31, 2001, with a weighted average rate of 6.30%, consisting of fixed and adjustable rate mortgage loans totaling \$345,319,000 and \$125,208,000, respectively. Leases included with loans held for sale totaled \$120,000 at December 31, 2001.

Loans held for sale were secured by single-family residential properties totaling \$189,489,000 at December 31, 2000, with a weighted average rate of 7.70%, consisting of fixed and adjustable rate mortgage loans totaling \$148,916,000 and \$40,573,000, respectively. Leases included with loans held for sale totaled \$52,711,000 at December 31, 2000, and consisted of fixed rate leases with a weighted average rate of 11.72%. Loans held for sale were secured by single-family residential properties totaling \$182,977,000 at June 30, 2000, with a weighted average rate of 8.15%, consisting of fixed and adjustable rate mortgage loans totaling \$175,716,000 and \$7,261,000, respectively. Leases included with loans held for sale at June 30, 2000, totaled \$379,000.

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Note 5. Loans Receivable

Loans receivable are summarized as follows:

	December 31,		June 30,
	2001	2000	2000
	-----	-----	-----
Conventional mortgage loans...	\$4,370,697	\$5,138,977	\$ 6,806,222
FHA and VA loans.....	231,899	304,535	500,363
Commercial real estate loans..	1,324,748	1,138,038	985,008
Construction loans.....	783,451	717,594	570,803
Consumer and other loans.....	1,519,755	1,612,369	1,588,056
	-----	-----	-----
	8,230,550	8,911,513	10,450,452
Unamortized premiums, net.....	9,088	160	743
Unearned income.....	--	--	(16,714)

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Deferred loan costs, net.....	5,073	18,704	24,665
Loans-in-process.....	(209,574)	(196,940)	(164,313)
Allowance for loan losses.....	(102,359)	(82,263)	(70,497)
	-----	-----	-----
	\$7,932,778	\$8,651,174	\$10,224,336
	=====	=====	=====
Weighted average interest rate	7.43%	8.21%	7.87%
	=====	=====	=====

Real estate loans at the periods indicated were secured by properties located primarily in the following states:

	December 31,	
	-----	-----
	2001	2000
	----	----
Residential real estate (includes conventional, FHA and VA loans and loans held for sale):		
Colorado.....	16%	17%
Nebraska.....	12	11
Kansas.....	10	9
Other 47 states.....	62	63
	---	---
	100%	100%
	===	===
Commercial real estate:		
Colorado.....	24%	23%
Iowa.....	15	17
Kansas.....	9	9
Other states (29, 24 and 24 states, respectively).....	52	51
	---	---
	100%	100%
	===	===

Nonperforming loans at December 31, 2001 and 2000, and June 30, 2000, aggregated \$93,847,000, \$95,871,000 and \$65,012,000, respectively. Of the nonperforming loans at December 31, 2001, approximately 18% were secured by properties located in Kansas, 11% in Nevada, 10% in Iowa, and the remaining 61% in 38 other states. Of the nonperforming loans at December 31, 2000, approximately 25% were secured by properties located in Nevada, 17% in Kansas, and 13% in Iowa and the remaining 55% in 39 other states. Of the nonperforming loans at June 30, 2000, approximately 20% were secured by properties located in Iowa, 8% in Kansas, 7% each in Florida and Maryland and the remaining 58% in 46 other states.

Also included in loans at December 31, 2001 and 2000, and June 30, 2000 and 1999, were loans with carrying values of \$3,141,000, \$4,285,000, \$5,431,000 and \$9,729,000, respectively, the terms of which have

been modified in troubled debt restructurings. During the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years ended June 30, 2000 and 1999, the Corporation recognized interest income on these loans aggregating \$236,000, \$176,000, \$430,000 and \$470,000, respectively. Under

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their original terms the Corporation would have recognized interest income of \$268,000, \$194,000, \$494,000 and \$526,000, respectively. At December 31, 2001, the Corporation had no material commitments to lend additional funds to borrowers whose loans were subject to troubled debt restructurings. Impaired loans, a portion of which are included in the balances for troubled debt restructurings at December 31, 2001 and 2000, and June 30, 2000, and the resulting interest income as originally contracted and as recognized, was not material for either the year ended December 31, 2001, the six months ended December 31, 2000, or fiscal years 2000 and 1999.

At December 31, 2001 and 2000, and June 30, 2000, the Corporation pledged real estate loans totaling \$3,733,629,000, \$3183,309,000 and \$4,864,455,000, respectively, as collateral for Federal Home Loan Bank advances and other borrowings.

Note 6. Real Estate

Real estate is summarized as follows:

	December 31,		
	2001	2000	Ju
Real estate owned and in judgment.....	\$45,194	\$25,539	\$2
Real estate held for investment, which includes equity in unconsolidated joint ventures and investments in real estate partnerships, net.....	12,282	12,792	1
	\$57,476	\$38,331	\$3
	=====	=====	==

At December 31, 2001, real estate is comprised primarily of residential real estate (63%) and commercial real estate (37%). At December 31, 2000, and June 30, 2000, real estate was comprised primarily of commercial real estate (59% and 57%, respectively) with the difference in residential real estate. Real estate at December 31, 2001, was located primarily in Nevada (38%) and Nebraska (22%) with the remaining 40% in 33 other states and the District of Columbia. At December 31, 2000, real estate was located primarily in Nebraska (32%) and Kansas (19%) with the remaining 49% in 34 other states and at June 30, 2000, real estate was located primarily in Nebraska (24%) and Missouri (22%) with the remaining 54% in 36 other states.

Note 7. Allowance for Losses on Loans

An analysis of the allowance for losses on loans is summarized as follows:

Balance, June 30, 1998.....	\$ 64,757
Provision charged to operations.....	12,400
Charges.....	(15,760)
Recoveries.....	3,674
Allowances acquired in acquisitions.....	17,307
Change in estimate of allowance for bulk purchased loans	(1,959)

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Balance, June 30, 1999.....	80,419
Provision charged to operations.....	13,760
Charges.....	(24,162)
Recoveries.....	5,833
Change in estimate of allowance for bulk purchased loans	(5,294)
-----	
Balance, June 30, 2000.....	70,556
Provision charged (credited) to operations.....	27,854
Charges.....	(16,908)
Recoveries.....	2,548
Change in estimate of allowance for bulk purchased loans	(87)
Charge-offs to allowance for bulk purchased loans.....	(28)
Reduction to allowance on sale of securitized loans.....	(496)
-----	
Balance, December 31, 2000.....	83,439
Provision charged to operations.....	38,945
Charges.....	(25,074)
Recoveries.....	5,318
Change in estimate of allowance for bulk purchased loans	(172)
Reduction to allowance on sale of securitized loans.....	(5)
-----	
Balance, December 31, 2001.....	\$102,451
=====	

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 Activity and balances for allowance for losses established on loans held for sale are included above.

Note 8. Mortgage Banking Activities

The Corporation's mortgage banking subsidiary services real estate loans for investors that are not included in the accompanying consolidated financial statements. Mortgage servicing rights are established based on the cost of acquiring the right to service mortgage loans or the allocated fair value of servicing rights retained on originated loans sold. The mortgage banking subsidiary also services a substantial portion of the Corporation's real estate loan portfolio.

During 2001, the Corporation securitized and sold mortgage loans totaling \$2,260,050,000 for a pre-tax gain of \$4,784,000. During 2000, the Corporation securitized and sold \$2,241,503,000 in mortgage loans and recognized a pre-tax loss of \$18,023,000. As part of these sales transactions, the Corporation retains servicing responsibilities and received annual servicing fees ranging from .25% to .53% of the outstanding balances of the loans. The average service fee collected by the Corporation was .35% for the year ended December 31, 2001, and .36 % for the six months ended December 31, 2000. In addition, the Corporation retains the rights of cash flows remaining, after investors in the securitization trust have received their contractual payments, which are referred to as "interest only strips." These retained interests are subordinate to investors' interests. The investors and securitization trusts have no recourse to the Corporation's other assets for failure of debtors to pay when due.

The gain or loss recognized on the sale of mortgage loans is determined by allocating the carrying amount between the loans sold and the interest only strips based on their relative fair values at the date of the transfer.

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Fair values are based on quoted market prices, if available. However, quotes are generally not available for interest only strips, so the Corporation generally estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions - prepayment speeds, credit losses, weighted-average lives and discount rates commensurate with the risks involved.

The following are the key assumptions used in measuring the fair values of mortgage servicing rights and interest only strips for the sales of mortgage loans for the periods indicated:

	Mortgage Servicing Rights		Interest Only Strips	
	Conventional	Governmental	Conventional	Governmental
YEAR ENDED DECEMBER 31, 2001:				
Prepayment speed.....	7.3%--63.2%	7.1%--48.9%	7.6%--51.7%	8.5%--38.2%
Weighted average prepayment speed..	15.1%	13.3%	14.6%	14.8%
Discount rate.....	9.5%--13.4%	11.8%--14.5%	11.2%--19.5%	13.5%
Weighted average life (in years)...	n/a	n/a	1.8--11.2	2.4--10.8
Expected credit losses.....	n/a	n/a	none	none
SIX MONTHS ENDED DECEMBER 31, 2000:				
Prepayment speed.....	4.1%--62.3%	5.3%--63.3%	4.9%--48.5%	6.1%--43.9%
Weighted average prepayment speed..	12.4%	12.0%	9.5%	10.4%
Discount rate.....	10.0%--12.0%	12.0%--12.9%	11.5%--15.0%	15.0%
Weighted average life (in years)...	n/a	n/a	4.3--8.3	6.4--10.4
Expected credit losses.....	n/a	n/a	none	none

Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, holding advance payments by borrowers for taxes and insurance, making inspections as required of the mortgage premises, collecting amounts due from delinquent mortgagors, supervising foreclosures in the event of unremedied defaults and generally administering the loans for the investors to whom they have been sold. The amount of loans serviced for others at December 31, 2001 and 2000, and June 30, 2000 and 1999, was \$9,488,621,000, \$9,100,938,000, \$7,271,014,000, and \$7,448,814,000, respectively. Custodial escrow balances maintained in connection with loan servicing totaled approximately \$100,181,000, \$102,797,000, \$118,390,000 and \$120,246,000 at December 31, 2001 and 2000, and June 30, 2000, and 1999.

The mortgage servicing portfolio is covered by servicing agreements pursuant to the mortgage-backed securities programs of GNMA, FNMA and FHLMC. Under these agreements, the Corporation may be required to advance funds temporarily to make scheduled payments of principal, interest, taxes or insurance if the borrower fails to make such payments. Although the Corporation cannot charge any interest on these advance funds, the Corporation typically recovers the advances within a reasonable number of days upon receipt of the borrower's payment. In the absence of any payment, advances are recovered through FHA insurance, VA guarantees or FNMA or FHLMC reimbursement provisions in connection with loan foreclosures. The amount of funds advanced by the Corporation for these servicing agreements is not material.

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Financial Condition under the caption "other assets." The activity of mortgage servicing rights is summarized as follows:

	Year Ended December 31, 2000	Six Months Ended December 31, 2000	Year Ended ----- 2000
Beginning balance.....	\$111,110	\$ 86,371	\$84,752
Mortgage servicing rights retained through loan sales.....	40,994	9,938	10,402
Mortgage servicing rights retained on securitized loans sold	--	18,551	--
Amortization expense.....	(17,092)	(4,558)	(8,703)
Other items, net (principally hedge activity).....	1,263	1,391	(80)
	-----	-----	-----
Valuation adjustments.....	136,275	111,693	86,371
	(19,058)	(583)	--
	-----	-----	-----
Ending balance.....	\$117,217	\$111,110	\$86,371
	=====	=====	=====

The activity of the valuation allowances on mortgage servicing rights is summarized as follows:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
Beginning balance.....	\$ 583	\$ --	\$--	\$--
Additions charged to operations	19,058	583	--	--
	-----	-----	---	---
Ending balance.....	\$19,641	\$583	\$--	\$--
	=====	=====	===	===

At December 31, 2001 and 2000, and June 30, 2000 and 1999, the fair value of the Corporation's mortgage servicing rights totaled approximately \$120,193,000, \$133,454,000, \$134,057,000 and \$106,906,000, respectively.

The key assumptions used in measuring the fair values and the sensitivity of the fair values of mortgage servicing rights were as follows at December 31:

	2001		2000	
	Conventional	Governmental	Conventional	Governmental
Fair value.....	\$ 63,006	\$ 57,187	\$ 65,724	\$
Prepayment speed.....	7.1%--63.2%	0%--59.3%	5.3%--71.0%	0%
Weighted average prepayment speed.....	16.1%	16.4%	12.3%	
Impact on fair value of 10% adverse change...	\$ 3,243	\$ 2,831	\$ 3,207	\$
Impact on fair value of 20% adverse change...	\$ 6,199	\$ 5,452	\$ 5,884	\$
Discount rate.....	9.6%--13.2%	11.4%--11.9%	10.1%--12.0%	12.2%

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Impact on fair value of 10% adverse change...	\$ 1,878	\$ 2,041	\$ 2,240
Impact on fair value of 20% adverse change...	\$ 3,641	\$ 3,952	\$ 4,346

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The key assumptions used in measuring the fair values (which are the same as the carrying values) and the sensitivity of the fair values of interest only strips were as follows at December 31:

	2001		2000	
	Conventional	Governmental	Conventional	Governmental
Fair value.....	\$ 6,557	\$ 1,728	\$ 4,161	\$ 1,000
Prepayment speed.....	7.6%--62.1%	8.5%--53.2%	6.7--48.5%	6.5%--48.5%
Weighted average prepayment speed.....	15.2%	16.7%	10.1%	10.1%
Impact on fair value of 10% adverse change... \$	321	91	516	516
Impact on fair value of 20% adverse change... \$	616	173	617	617
Discount rate.....	11.4%	13.5%	11.5%	11.5%
Impact on fair value of 10% adverse change... \$	220	64	506	506
Impact on fair value of 20% adverse change... \$	425	123	602	602
Weighted average life (in years).....	2.9--6.3	3.3--6.6	4.3--9.6	4.2--9.6
Expected credit losses.....	none	none	none	none

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in the tables, the effect of a variation in a particular assumption on the fair value of the mortgage servicing rights or interest only strips is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses) which might magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected changes in the fair value of instruments used to manage the prepayment risks associated with these assets, as discussed in Note 14, "Derivative Financial Instruments," or what actions management may take to offset any adverse valuation adjustments.

A summary of certain cash flows received from and paid to securitization trusts is as follows:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000
Proceeds from new securitizations.....	\$2,285,590	\$2,225,743
Servicing fees received, including interest only strips	34,330	14,187
Purchases of delinquent or foreclosed assets.....	438,956	70,001
Servicing advances.....	512,683	283,237
Repayments of servicing advances.....	512,045	281,593



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The following presents quantitative information about delinquencies, net credit losses, and components of the Corporation's managed mortgage loan portfolio at December 31:

	2001	2000
	-----	-----
Mortgage loans held in portfolio.....	\$ 4,602,596	\$ 5,443,512
Mortgage loans serviced for others.....	9,488,621	9,100,938
Mortgage loans held for sale.....	470,527	189,489
	-----	-----
Total managed mortgage loans.....	\$14,561,744	\$14,733,939
	=====	=====
Principal amount of managed loans 90 days or more past due	\$ 192,446	\$ 194,600
	=====	=====

At December 31, 2001 and 2000, and June 30, 2000 and 1999, there were no commitments to purchase mortgage loan servicing rights or to sell any bulk packages of mortgage servicing rights.

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Note 9. Premises and Equipment

Premises and equipment are summarized as follows:

	December 31,		June 30,
	-----	-----	-----
	2001	2000	2000
	-----	-----	-----
Land.....	\$ 39,092	\$ 38,433	\$ 41,231
Buildings and improvements.....	109,658	118,815	123,276
Leasehold improvements.....	5,180	5,889	7,066
Furniture, fixtures and equipment.....	117,821	115,659	131,636
	-----	-----	-----
	271,751	278,796	303,209
Less accumulated depreciation and amortization.....	113,060	111,586	121,517
	-----	-----	-----
	\$158,691	\$167,210	\$181,692
	=====	=====	=====

Depreciation and amortization of premises and equipment, included in occupancy and equipment expenses, totaled \$18,841,000, \$9,968,000, \$20,414,000, and \$18,172,000 for the year ended December 31, 2001, the six months ended December 31, 2000, and for fiscal years 2000 and 1999, respectively. Rent expense totaled \$6,554,000, \$3,075,000, \$6,335,000, and \$4,489,000 for the year ended December 31, 2001, the six months ended December 31, 2000, and for fiscal years 2000 and 1999. The Bank has operating lease commitments on certain premises and equipment. Annual minimum operating lease commitments as of December 31, 2001, are as follows: 2002--\$5,109,000; 2003--\$4,560,000;

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2004--\$3,366,000; 2005--\$2,321,000; 2006--\$1,658,000; 2007 and thereafter--\$10,415,000.

Note 10. Intangible Assets

An analysis of intangible assets is summarized as follows:

	Core Value of Deposits	Goodwill	Total
	-----	-----	-----
Balance, June 30, 1998.....	\$34,824	\$ 42,362	\$ 77,186
Additions relating to acquisitions.....	35,265	155,928	191,193
Amortization expense.....	(8,984)	(6,718)	(15,702)
	-----	-----	-----
Balance, June 30, 1999.....	61,105	191,572	252,677
Final purchase accounting adjustments relating to acquisitions.....	(9,702)	6,830	(2,872)
Amortization expense.....	(8,563)	(8,673)	(17,236)
Write-offs due to branch sales and closings.....	(352)	(1,367)	(1,719)
	-----	-----	-----
Balance, June 30, 2000.....	42,488	188,362	230,850
Amortization expense.....	(3,903)	(4,250)	(8,153)
Write-offs due to branch sales and closings.....	(2,376)	(12,894)	(15,270)
	-----	-----	-----
Balance, December 31, 2000.....	36,209	171,218	207,427
Amortization expense.....	(7,211)	(8,134)	(15,345)
Write-offs due to branch divestitures.....	(265)	(367)	(632)
	-----	-----	-----
Balance, December 31, 2001.....	\$28,733	\$162,717	\$191,450
	=====	=====	=====

No impairment adjustment was necessary to intangible assets for the year ended December 31, 2001, the six months ended December 31, 2000, or for fiscal years 2000 or 1999.

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Note 11. Deposits

Deposits are summarized as follows:

Description and interest rates	December 31 , 2001		December 31 , 2000		June 30, 2000	
	Amount	%	Amount	%	Amount	%
-----	-----	-----	-----	-----	-----	-----
Passbook accounts (average of 4.73%, 5.34% and 4.48%).....	\$1,939,596	30.3%	\$1,861,074	24.2%	\$1,575,380	21.5%
NOW accounts (average of .37%, .61% and .71%).....	1,198,646	18.7	1,065,970	13.8	1,028,640	14.0
Market rate savings (average of 2.77%, 3.82% and 4.01%).....	304,620	4.8	382,344	5.0	531,317	7.3
	-----	-----	-----	-----	-----	-----
Total savings (no stated maturities)...	3,442,862	53.8	3,309,388	43.0	3,135,337	42.8

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Certificates of deposits:

Less than 2.00%.....	45,207	.7	1,968	--	--	--
2.00%--2.99%.....	562,840	8.8	78	--	7,685	.1
3.00%--3.99%.....	537,808	8.4	6,119	.1	6,740	.1
4.00%--4.99%.....	825,086	12.9	583,156	7.6	771,419	10.5
5.00%--5.99%.....	611,563	9.6	1,251,274	16.3	2,007,819	27.4
6.00%--6.99%.....	257,613	4.0	2,313,213	30.0	1,328,741	18.1
7.00%--7.99%.....	112,885	1.8	227,833	3.0	70,974	1.0
8.00% and over.....	658	--	1,457	--	1,785	--

Total certificates of deposit (fixed maturities; average of 5.51%, 5.88% and 5.31%).....

2,953,660	46.2	4,385,098	57.0	4,195,163	57.2
\$6,396,522	100.0%	\$7,694,486	100.0%	\$7,330,500	100.0%

Interest expense on deposit accounts is summarized as follows:

	Year Ended December 31, 2001	Six Months	Year Ended June 30, 2000	1999
		Ended December 31, 2000		
Passbook accounts.....	\$ 64,399	\$ 45,823	\$ 59,215	\$ 41,616
NOW accounts.....	4,180	3,162	7,423	12,223
Market rate savings.....	9,298	8,616	31,077	26,993
Certificates of deposit.....	232,490	126,978	227,959	242,026
	\$310,367	\$184,579	\$325,674	\$322,858

At December 31, 2001, scheduled maturities of certificates of deposit are as follows:

Rate	Year Ending December 31,						Total
	2002	2003	2004	2005	2006	Thereafter	
Less than 2.00%.....	\$ 45,201	\$ --	\$ 6	\$ --	\$ --	\$ --	\$ 45,207
2.00%--2.99%.....	442,149	119,573	1,116	--	2	--	562,840
3.00%--3.99%.....	431,391	82,930	22,836	606	45	--	537,808
4.00%--4.99%.....	555,071	178,215	41,445	15,284	32,206	2,865	825,086
5.00%--5.99%.....	567,382	38,646	1,719	1,278	1,309	1,229	611,563
6.00%--6.99%.....	252,492	2,791	954	1,256	72	48	257,613
7.00%--7.99%.....	111,772	233	272	558	37	13	112,885
8.00% and over.....	58	39	16	8	78	459	658
	\$2,405,516	\$422,427	\$68,364	\$18,990	\$33,749	\$4,614	\$2,953,660

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Certificates of deposit in amounts of \$100,000 or more totaled \$484,120,000, \$916,526,000 and \$693,420,000, respectively, at December 31, 2001 and 2000, and June, 30, 2000. The total amount of brokered certificates of deposit were \$52,967,000, \$322,149,000 and \$82,366,000, respectively, at December 31, 2001 and 2000, and June 30, 2000.

At December 31, 2001 and 2000, and June 30, 2000, deposits of certain state and municipal agencies and other various non-retail entities were collateralized by mortgage-backed securities with carrying values of \$120,223,000, \$187,965,000 and \$302,984,000 and investment securities with carrying values of \$8,252,000, \$48,245,000 and \$82,039,000, respectively. In compliance with regulatory requirements, at December 31, 2001 and 2000, and June 30, 2000, the Corporation maintained \$21,177,000, \$23,851,000 and \$74,285,000, respectively, in cash on hand and deposits at the Federal Reserve Bank. The funds at the Federal Reserve Bank were held in noninterest earning reserves against certain transaction checking accounts and nonpersonal certificates of deposit.

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Note 12. Advances from the Federal Home Loan Bank

The Corporation was indebted to the Federal Home Loan Bank as follows:

December 31, 2001					
	Interest Rate Range		Weighted Average Rate	Amount	
Scheduled Maturities Due:					
Within 1 year.....	1.78% -	7.20%	3.68%	\$2,417,675	
Over 1 year to 2 years...	2.06 -	7.69	6.92	204,050	
Over 2 years to 3 years..	1.85 -	6.55	6.39	300,050	
Over 3 years to 4 years..	6.55 -	6.55	6.55	50	
Over 4 years to 5 years..	2.42 -	6.55	2.42	100,050	
Over 5 years.....	4.30 -	7.29	5.76	1,906,200	
	-----	-----	-----	-----	
	1.78% -	7.69%	4.76%	4,928,075	
	====	====	====		
Fair value of embedded calls				10,981	
				-----	
				\$4,939,056	
				=====	

December 31, 2000			June 30, 2000		
Interest Rate Range	Weighted Average Rate	Amount	Interest Rate Range	Weighted Average Rate	Amount
-----	-----	-----	-----	-----	-----

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Scheduled Maturities Due:

Within 1 year.....	5.82%	-	9.90%	7.31%	\$ 735,840	5.82%	-	8.31%	6.87%	\$1,772,5
Over 1 year to 2 years..	6.22	-	9.95	8.85	319,625	6.22	-	7.04	6.80	152,6
Over 2 years to 3 years.	6.54	-	7.69	7.19	204,000	6.54	-	7.69	7.20	317,8
Over 3 years to 4 years.	6.39	-	6.77	6.52	300,000	--	--	--	--	--
Over 4 years to 5 years.	--	--	--	--	--	6.23	-	6.72	6.40	300,0
Over 5 years.....	4.30	-	7.33	5.59	2,006,000	4.18	-	7.29	5.20	2,506,5
	-----		-----	-----	-----	-----		-----	-----	-----
	4.30%	-	9.95%	6.41%	\$3,565,465	4.18%	-	8.31%	5.98%	\$5,049,5
	=====		=====	=====	=====	=====		=====	=====	=====

Fixed-rate advances totaling \$1,706,000,000 at December 31, 2001, are convertible into adjustable-rate advances at the option of the Federal Home Loan Bank. At December 31, 2001, these convertible advances had call dates ranging from January 2002 to March 2003. All of these advances have scheduled maturities due over five years. At December 31, 2000, and June 30, 2000, convertible advances totaled \$1,706,000,000 and \$2,346,000,000, respectively.

At December 31, 2001 and 2000, and June 30, 2000, outstanding advances were collateralized by real estate loans totaling \$3,733,629,000, \$3,813,309,000 and \$5,864,455,000, respectively, and mortgage-backed securities totaling \$516,454,000, \$98,191,000 and \$197,137,000. The Corporation is also required to hold shares of Federal Home Loan Bank stock in an amount at least equal to the greater of 1.0% of certain of its residential mortgage loans or 5.0% of its outstanding advances. The Corporation was in compliance with this requirement at December 31, 2001 and 2000, and June 30, 2000, holding Federal Home Loan Bank stock totaling \$253,946,000, \$251,537,000 and \$255,756,000, respectively. At December 31, 2001 and 2000, and June 30, 2000, there were no commitments for advances from the Federal Home Loan Bank.

Note 13. Other Borrowings

Other borrowings consist of the following:

	December 31,		June 30,
	2001	2000	2000
	-----	-----	-----
Federal funds, interest 1.72%, due January 2, 2002.....	\$130,000	\$ --	\$ --
Securities sold under agreements to repurchase.....	201,912	6,905	33,379
Term note, adjustable interest, due June 30, 2004.....	54,375	63,438	65,250
Revolving line of credit, adjustable interest, due June 30, 2004.....	10,000	10,000	10,000
Guaranteed preferred beneficial interests in the Corporation's junior subordinated debentures, interest 9.375%, due May 15, 2027.....	45,000	45,000	45,000
Subordinated extendible notes, interest 7.95%, due December 1, 2006..	21,725	50,000	50,000
Subordinated notes, adjustable interest, due December 8, 2011.....	30,000	--	--
Subordinated notes, adjustable interest, due December 18, 2031.....	20,000	--	--
Other borrowings.....	7,201	--	2,397
	-----	-----	-----
	\$520,213	\$175,343	\$206,026
	=====	=====	=====

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At December 31, 2001, securities sold under agreements to repurchase carried a weighted average rate of 4.30% with \$1,912,000 maturing overnight, \$100,000,000 maturing December 31, 2006, and \$100,000,000 maturing March 29, 2011. At December 31, 2001, mortgage backed securities and investment securities with carrying values totaling \$224,734,000 and \$10,023,000, respectively, and fair values totaling \$226,292,000 and \$9,802,000, respectively, were pledged as collateral. At December 31, 2000, securities sold under agreements to repurchase matured overnight at an interest rate of 4.91% and were collateralized by an investment security with a carrying value totaling \$19,928,000 and a fair value totaling \$19,575,000. At June 30, 2000, securities sold under agreements to repurchase had a weighted average rate of 4.99% with \$8,379,000 maturing overnight and \$25,000,000 maturing in September 2000. Mortgage-backed securities with carrying values totaling \$32,035,000 and fair values totaling \$30,681,000 were pledged as collateral.

During July 1999, the Corporation entered into a term and revolving credit agreement totaling \$82,500,000. This credit facility is in the form of an unsecured, five-year term note due June 30, 2004. In July 1999, \$72,500,000 was drawn down to refinance a term note for \$32,500,000 and to pay in full \$40,000,000 of one-year purchase notes from an acquisition. At December 31, 2001, this term note had a remaining principal balance of \$54,375,000. Terms of the note require quarterly principal payments of \$1,812,500 and quarterly interest payable at a monthly adjustable rate priced at 100 basis points below the lender's national base rate, or 3.75% at December 31, 2001. The unsecured revolving line of credit with a balance of \$10,000,000 has interest rate terms the same as the term note.

Effective May 14, 1997, CFC Preferred Trust, a special-purpose wholly-owned trust subsidiary of the Corporation, completed an offering of 1,800,000 shares (issue price of \$25.00 per share) totaling \$45,000,000 of fixed-rate 9.375% cumulative trust preferred securities due May 15, 2027. Also, effective May 14, 1997, the Corporation purchased all of the common securities of CFC Preferred Trust for \$1,391,775. CFC Preferred Trust invested the total proceeds of \$46,391,775 received in 9.375% junior subordinated deferrable interest debentures (the "Debentures") issued by the Corporation. Interest paid on the Debentures is distributed to holders of the cumulative trust preferred securities and to the Corporation as holder of the common securities. Under current tax law, distributions to the holders of the cumulative trust preferred securities are tax deductible for the Corporation. The Debentures, unsecured, rank junior and are subordinate in right of payment of all senior debt of the Corporation. The obligations of the Corporation under the Debentures, the indenture, the relevant trust agreement and the guarantees constitute a full and unconditional guarantee by the Corporation of the obligations of the trust under the trust preferred securities and rank subordinate and junior in right of payment to all liabilities of the Corporation. The distribution rate payable on the cumulative trust preferred securities is cumulative and payable quarterly in arrears. The Corporation has the right, subject to events of default, to defer payments of interest on the Debentures by extending the interest payment periods not exceeding 20 consecutive quarters. No extension

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period may extend beyond the redemption or maturity date of the Debentures. The Debentures mature on May 15, 2027, which may be shortened to not earlier than May 15, 2002, if certain conditions are met. The cumulative trust preferred securities would qualify as Tier 1 capital of the Corporation should the Corporation become subject to the Federal Reserve capital requirements for bank holding companies.

On December 2, 1996, the Corporation issued \$50,000,000 of fixed-rate

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subordinated extendible notes due December 1, 2006 (the "Notes"). Contractual interest on the Notes is paid monthly and was set at 7.95% until December 1, 2001. The interest rate for the Notes was reset at the Corporation's option on December 1, 2001, at 7.95% until December 1, 2004, the next reset date selected by management. This interest rate of 7.95% exceeds 105% of the effective interest rate on comparable maturity U. S. Treasury obligations, as defined in the Indenture. These notes were redeemable by the holders on December 1, 2001. A total of \$28,275,000 was redeemed, leaving an outstanding balance of \$21,725,000 at December 31, 2001. The Corporation and noteholders may elect to redeem the Notes in whole on December 1, 2004, the next interest reset date, at par plus accrued interest. The Notes are unsecured general obligations of the Corporation. The Indenture, among other provisions, limits the ability of the Corporation to pay cash dividends or to make other capital distributions under certain circumstances.

On November 28, 2001, the Bank issued and sold \$30,000,000 of floating rate subordinated debt securities due December 8, 2011. Interest is payable semi-annually in arrears on June 8 and December 8 of each year commencing on June 8, 2002. The initial interest rate is 6.01% through June 8, 2002, and resets semi-annually on each successive interest payment date equal to the six-month LIBOR plus 3.75%. The interest rate shall not exceed 12.50%. These subordinated debt securities are not redeemable, unless certain events occur, as defined in the Indenture. The subordinated debt securities, unsecured, rank junior and are subordinate in right of payment of all senior debt of the Bank.

On December 18, 2001, the Bank issued and sold \$20,000,000 of floating rate junior subordinated debentures due December 18, 2031. Interest is payable quarterly in arrears on March 18, June 18, September 18 and December 18 of each year commencing on March 18, 2002. The initial interest rate is 5.60% through March 18, 2002, and resets quarterly on each successive interest payment date equal to the three-month LIBOR plus 3.60%. The interest rate shall not exceed 12.50% prior to December 18, 2011. These junior subordinated debentures may be redeemed by the Bank on or after December 18, 2006, and on any subsequent interest reset date through September 18, 2030, and any time after September 30, 2030, with proper notice. The junior subordinated debentures, unsecured, rank junior and are subordinate in right of payment of all senior debt of the Bank.

The \$30,000,000 of subordinated debt securities and the \$20,000,000 of junior subordinated debentures are includable as part of supplementary Tier 2 regulatory capital for the Bank. Proceeds from these issuances were utilized by the Bank to make capital distributions to the Corporation. On November 30, 2001, a distribution for \$30,000,000 was used to redeem \$28,275,000 of the Corporation's 7.95% subordinated extendible notes and to repurchase common stock. On January 10, 2002, a distribution for \$20,000,000 was used to repay \$7,000,000 of the Corporation's revolving line of credit and to repurchase common stock.

Other borrowings at December 31, 2001, consist of United States Treasury Tax and Loan borrowings totaling \$7,201,000 and bearing an interest rate of 1.38% at December 31, 2001. These borrowings are an open-ended interest bearing note that are callable by the United States Treasury and, at December 31, 2001, are secured by mortgage-backed securities with a book value totaling \$27,620,000. At June 30, 2000, other borrowings consisted of notes issued in conjunction with collateralized mortgage obligations, due in varying amounts through 2019, and secured by FNMA and FHLMC mortgage-backed securities with book values totaling \$7,331,000. These notes were paid in full in December 2000.

Contractual principal maturities of other borrowings as of December 31, 2001, for the next five years are as follows: 2002--\$146,363,000; 2003--\$7,250,000; 2004--\$49,875,000; 2005--zero; 2006--\$121,725,000; 2007 and thereafter--\$195,000,000.

Note 14. Derivative Financial Instruments

The Corporation utilizes derivative financial instruments as part of an overall interest rate risk management strategy.

Interest Rate Swap Agreements

The Corporation is exposed to interest rate risk relating to the variable cash flows of certain deposit liabilities and FHLB advances attributable to changes in market interest rates. As part of its overall strategy to manage the level of exposure to the risk of interest rates adversely affecting net interest income the Corporation uses interest rate swap agreements that have offsetting characteristics from the hedged deposit liabilities and FHLB advances. These derivatives are designated and qualify as cash flow hedges with the fair value gain or loss reported as a component of accumulated other comprehensive income (loss). The fair value of the interest rate swaps at December 31, 2001 and 2000, totaled approximately \$109,913,000 and \$37,252,000, respectively, which represents the amount that would need to be paid if the swap agreements were terminated.

The following summarizes the Corporation's interest rate swap agreements by maturity dates at December 31:

	2001			2000		
	Notional Amount	Interest Rate		Notional Amount	Interest Rate	
		Paying	Receiving		Paying	Receiving
Scheduled Maturities Due:						
2001.....				\$ 50,000	6.21%	6.04%
2002.....	\$ 100,000	5.98%	1.75%	100,000	5.98	5.86
2003.....	400,000	5.65	1.83	400,000	5.65	6.84
2004.....	600,000	6.14	1.82	600,000	6.14	6.16
2005.....	250,000	6.38	1.75	250,000	6.38	5.93
Thereafter.....	1,270,000	5.74	2.16	150,000	5.42	5.90
	-----	-----	-----	-----	-----	-----
	\$2,620,000	5.89%	1.98%	\$1,550,000	5.99%	6.26%
	=====	=====	=====	=====	=====	=====

The following summarizes the Corporation's interest rate swap agreements by maturity date at June 30, 2000:

	Notional Amount	Interest Rate	
		-----	
		Paying	Receiving
Scheduled Maturities Due:			
2001.....	\$ 140,000	6.00%	6.16%
2002.....	100,000	7.07	6.76



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2003.....	200,000	6.71	6.34
2004.....	500,000	6.01	6.05
2005.....	800,000	6.28	6.31
Thereafter.....	800,000	7.07	6.67
	-----	-----	-----
	\$2,540,000	6.53%	6.39%
	=====	=====	=====

Under the interest rate swap agreements the Corporation pays fixed rates of interest and receives variable rates of interest. The variable interest rates were based on either the 13-week average yield of the three-month U.S. Treasury bill or the three-month LIBOR average. Net interest settlement was quarterly. Net interest expense on the swap agreements totaled \$45,744,000, \$415,000, \$2,869,000 and \$2,849,000, respectively, for the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999.

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The interest rate swap agreements were collateralized by investment securities with carrying values of \$40,331,000 at December 31, 2001, by investment securities with carrying values of \$63,860,000 at December 31, 2000, and by mortgage-backed securities with carrying values of \$8,528,000 at June 30, 2000. Entering into interest rate swap agreements involves the credit risk of dealing with intermediary and primary counterparties and their ability to meet the terms of the respective contracts. The Corporation is exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swaps if the Corporation is in a net interest receivable position at the time of potential default by the counterparties. At December 31, 2001 and 2000, and June 30, 2000, the Corporation was in a net interest payable position. The Corporation does not anticipate nonperformance by the counterparties.

For the six months ended December 31, 2000, the Corporation incurred losses on terminated interest rate swap agreements totaling \$8,601,000 since the related hedged FHLB advances and deposit liabilities were not paid. This loss is included in other comprehensive income (loss) and is being reflected in operations as the related interest expense on the designated FHLB advances and deposit liabilities is incurred. The amortization of these losses on these terminated interest rate swap agreements for the year ended December 31, 2001, and the six months ended December 31, 2000, totaled \$2,034,000 and \$170,000, respectively. At December 31, 2001, the unamortized balance of these losses totaled approximately \$6,398,000. In addition, during the six months ended December 31, 2000, the Corporation recorded a net loss of \$38,209,000 on the termination of swap agreements due to the repayment of the related hedged FHLB advances.

Swaption Agreements

The Corporation has \$1,000,000,000 of 10 year fixed-rate FHLB advances with interest rates ranging from 4.30% to 5.40%, maturity dates ranging from February 2009 to July 2009 and call dates ranging from January 2002 to May 2002. The call options expose the Corporation to interest rate risk. The Corporation entered into swaption agreements to hedge the exposure to changes in the fair value of the calls embedded in the FHLB advances, which are recorded as fair value hedges. These agreements represent purchased options to enter into interest rate agreements whereby the Corporation would pay fixed rates of interest and receive variable rates of interest. All terms of the swaption agreements exactly match the terms of these FHLB advances. In the event any of these FHLB advances are called, the Corporation will exercise its

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corresponding option to enter into a swap agreement paying a fixed rate of interest on the swap equal to the existing fixed rate on the FHLB advance. At December 31, 2001, the fair value on the rights of the swaption agreements was recorded as an asset of \$78,220,000.

### Interest Rate Floor Agreements

The Corporation is also exposed to interest rate risk relating to the potential decrease in the value of mortgage servicing rights due to increased prepayments on mortgage servicing loans resulting from declining interest rates. As part of its overall strategy to manage the level of exposure to the risk of interest rates adversely affecting the value of mortgage servicing rights due to impairment exposure, the Corporation uses interest rate floor agreements to protect the fair value of the mortgage servicing rights. By purchasing floor agreements, the Corporation would be paid cash based on the differential between a short-term rate and the strike rate, applied to the notional principal amount, should the current short-term rate fall below the strike rate level of the agreement. These derivatives are not designated and do not qualify as hedges under SFAS No. 133, and therefore, receive a "no hedging" designation.

At December 31, 2001 and 2000, the Corporation had interest rate floor agreements with notional amounts totaling \$630,000,000 and \$505,000,000, respectively, with a fair value gain of \$3,071,000 and \$1,809,000, respectively, representing the amount that would be received to terminate the floor agreements. The interest rate floor agreements at December 31, 2001, had strike rates ranging from 3.84% to 6.32% and mature between January 2002 and March 2006. At June 30, 2000, the Corporation had interest rate floor agreements with notional amounts totaling \$335,000,000.

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### Interest Rate Cap Agreements

During fiscal year 2000, the Corporation entered into three interest rate cap agreements totaling \$300,000,000. These interest rate cap agreements were called in June 2000, resulting in a net loss of \$69,000. These agreements would have paid interest quarterly when the three-month LIBOR exceeded 7.5%. Throughout the life of these agreements, the Corporation did not owe any interest to the counterparty. The premiums received totaled \$4,800,000. Premiums amortized to income during fiscal 2000 totaled \$699,000.

### Commitments

Mandatory forward sales commitments are used by the Corporation in the management of its loan activities, other than loans held for investment. The objective of these transactions is to reduce interest rate exposure on loan production. Mandatory forward sales commitments obligate both the Corporation and the buyer to trade loans at a specified price at the settlement date.

Beginning in 2001, the Corporation designated mandatory forward sales commitments to sell residential mortgage loans as hedging the change in fair value of loans held for sale. At December 31, 2001, these commitments totaling \$445,000,000 had a fair value gain of \$3,060,000. Mandatory forward sales commitments, which were excluded from hedge designation and the assessment of effectiveness, resulted in a net loss of \$1,100,000 during the year ended December 31, 2001. This net loss is included in Gain (Loss) on Sales of Loans in the Consolidated Statement of Operations. At December 31, 2000, the Corporation had mandatory forward sales commitments totaling \$237,683,000 with a fair value gain of \$2,085,000.

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At December 31, 2001 and 2000, the Corporation had conforming loan commitments for loans held for sale totaling \$161,203,000 and \$85,219,000, respectively, consisting primarily of fixed-rate loans with fair values of \$68,000 and \$354,000, respectively. These conforming loan commitments do not qualify as hedges under SFAS No. 133 and therefore, receive a "no hedging" designation.

Note 15. Income Taxes

The following is a comparative analysis of the federal and state income tax provision (benefit):

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
Current:				
Federal.....	\$ 56,014	\$ 11,276	\$19,757	\$42,937
State.....	1,221	(2)	1,210	3,230
	-----	-----	-----	-----
	57,235	11,274	20,967	46,167
	-----	-----	-----	-----
Deferred:				
Federal.....	(13,287)	(33,362)	36,689	16,789
State.....	(574)	2,397	(2,387)	304
	-----	-----	-----	-----
	(13,861)	(30,965)	34,302	17,093
	-----	-----	-----	-----
Total income tax provision (benefit)	\$ 43,374	\$ (19,691)	\$55,269	\$63,260
	=====	=====	=====	=====

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The following is a reconciliation of the statutory federal income tax rate to the consolidated effective tax rate:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
Statutory federal income tax rate.....	35.0%	(35.0)%	35.0%	35.0%
Increase in value of Bank owned life insurance.....	(3.5)	--	--	--
Amortization of discounts, premiums and intangible assets....	1.9	2.0	1.7	1.7
Tax exempt interest.....	(2.6)	(1.9)	(1.2)	(1.2)
Nondeductible exit costs and termination benefits, merger and other nonrecurring expenses.....	--	6.3	.2	4.4
Income tax credits.....	(.5)	(.7)	(.4)	(.4)
State income taxes, net of federal income taxes.....	.3	2.2	(.5)	1.7
Other items, net.....	.1	(1.0)	(.5)	(1.2)
	-----	-----	-----	-----

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Effective tax rate..... 30.7% (28.1)% 34.3% 40.  
 =====

The components of deferred tax assets and liabilities are as follows:

	December 31,		June 30,
	----- 2001	2000 -----	2000 -----
Deferred tax assets:			
Interest rate swap agreements.....	\$ 43,969	\$ 13,794	\$ --
Allowance for losses on loans and real estate not currently deductible.....	39,212	35,095	27,285
State net operating loss carryforwards.....	12,247	10,357	7,678
Basis differences between tax and financial reporting arising from acquisitions.....	8,217	9,214	9,743
Employee benefits.....	4,408	5,007	3,993
Other items.....	8,452	10,403	9,806
	-----	-----	-----
	116,505	83,870	57,702
Valuation allowance.....	(15,845)	(10,911)	(5,074)
	-----	-----	-----
	100,660	72,959	52,628
	-----	-----	-----
Deferred tax liabilities:			
Mortgage servicing rights.....	14,572	17,520	9,327
Federal Home Loan Bank stock.....	14,838	20,238	21,557
Real estate investment trust deferred income.....	10,380	10,010	35,688
Core value of acquired deposits.....	8,633	10,318	12,041
Differences between book and tax basis of premises and equipment....	7,845	7,967	8,749
Mark-to-market of securities available for sale.....	7,200	940	--
Deferred loan fees.....	2,595	3,492	4,337
Other items.....	5,489	7,574	8,419
	-----	-----	-----
	71,552	78,059	100,118
	-----	-----	-----
Net deferred tax asset (liability).....	\$ 29,108	\$ (5,100)	\$(47,490)
	=====	=====	=====

At December 31, 2001, the Corporation and certain subsidiaries had state net operating loss carryforwards totaling approximately \$186,214,000 available for income tax purposes. A valuation allowance was established for these carryforwards which expire through 2021. The valuation allowance is primarily attributable to state deferred tax assets at December 31, 2001. The valuation allowance increased to \$15,845,000 at December 31, 2001, compared to \$10,911,000 at December 31, 2000, and \$5,074,000 at June 30, 2000, primarily due to increases in state net operating loss carryforwards available for income tax purposes.

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A deferred tax liability has not been recognized for the bad debt reserves of the Bank created in the tax years which began prior to December 31, 1987 (the base year). At December 31, 2001, these reserves totaled approximately \$105,266,000 with an unrecognized deferred tax liability approximating \$38,527,000. This unrecognized deferred tax liability could be recognized in the future, in whole or in part, if there is a change in federal tax law, the Bank fails to meet certain definitional tests and other conditions in the federal tax law, certain distributions are made with respect to the stock of the Bank, or the bad debt reserves are used for any purpose other than absorbing bad debt losses.

### Note 16. Stockholders' Equity and Regulatory Restrictions

Effective December 18, 1998, the Corporation's Shareholder Rights Plan was amended primarily to extend the expiration date of such rights to December 19, 2008, unless earlier redeemed by the Corporation. In December 1988, the Board of Directors adopted a Shareholder Rights Plan and declared a dividend of stock purchase rights. This dividend consisted of one primary right and one secondary right for each outstanding share of common stock payable on December 30, 1988, and for each share of common stock issued by the Corporation at any time after December 30, 1988, and prior to the earlier of the occurrence of certain events or expiration of these rights. These rights are attached to and trade only together with the common stock shares. The provisions of the Shareholder Rights Plan are designed to protect the interests of the stockholders of record in the event of an unsolicited or hostile attempt to acquire the Corporation at a price or on terms that are not fair to all shareholders. Unless rights are exercised, holders have no rights as a stockholder of the Corporation (other than rights resulting from such holder's ownership of common shares), including, without limitation, the right to vote or to receive dividends. At December 31, 2001, no such rights were exercised.

The Corporation is authorized to issue 10,000,000 shares of preferred stock having a par value of \$.01 per share. None of the shares of the authorized preferred stock have been issued. The Board of Directors is authorized to establish and state voting powers, designation preferences, and other special rights of these shares and their qualifications, limitations and restrictions. The preferred stock may rank prior to the common stock as to dividend rights, liquidation preferences, or both, and may have full or limited voting rights.

The capital distribution regulations of the OTS permit the Bank to pay capital distributions during a calendar year up to 100.0% of its retained net income for the current calendar year combined with the Bank's retained net income for the preceding two calendar years without requiring an application to be filed with the OTS. Retained net income is net income determined in accordance with generally accepted accounting principles less total capital distributions declared. At December 31, 2001, the Bank's total distributions exceeded its retained net income by \$228,154,000 under this regulation thereby requiring the Bank to file an application with the OTS for any proposed capital distributions. Applicable regulations require approval by the OTS of any proposed dividends and, in some cases, could prohibit the payment of dividends.

In April 1999, the Corporation began repurchasing its outstanding common stock. From April 1999 through December 31, 2000, the Corporation purchased 8,038,900 shares of its common stock at a cost of \$149,066,000. On May 7, 2001, a repurchase for 5,000,000 shares was authorized. The Corporation purchased 4,201,500 shares of its common stock under this authorization at a cost of \$103,439,000 during 2001. This repurchase was completed on January 28, 2002, with the remaining 798,500 shares costing \$19,474,000. During 2001, the Corporation purchased a total of 7,662,600 shares of its common stock at a total cost of \$180,877,000.

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Note 17. Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Regulators can initiate certain mandatory, and possibly additional discretionary, actions if the Bank fails to meet minimum capital requirements. These actions could have a direct material effect on the Corporation's financial position and results of operations. The regulations require the Bank to meet specific capital adequacy guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as set forth in the following table. Prompt corrective action provisions pursuant to FDICIA require specific supervisory actions as capital levels decrease. To be considered well-capitalized under the regulatory framework for prompt corrective action provisions under FDICIA, the Bank must maintain certain minimum capital ratios as set forth below. The Bank exceeded the minimum requirements for the well-capitalized category for all periods presented.

The following presents the Bank's regulatory capital levels and ratios relative to its minimum capital requirements:

	As of December 31, 2001			
	Actual Capital		Required Capital	
	Amount	Ratio	Amount	Ratio
OTS capital adequacy:				
Tangible capital.....	\$706,534	5.58%	\$190,045	1.50%
Core capital.....	709,770	5.60	380,188	3.00
Risk-based capital.....	850,713	11.38	597,976	8.00
FDICIA regulations to be classified well-capitalized:				
Tier 1 leverage capital.....	709,770	5.60	633,646	5.00
Tier 1 risk-based capital.....	709,770	9.50	448,482	6.00
Total risk-based capital.....	850,713	11.38	747,470	10.00
	As of December 31, 2000			
	Actual Capital		Required Capital	
	Amount	Ratio	Amount	Ratio
OTS capital adequacy:				
Tangible capital.....	\$800,630	6.51%	\$184,557	1.50%
Core capital.....	805,693	6.55	369,267	3.00
Risk-based capital.....	879,845	11.84	594,373	8.00
FDICIA regulations to be classified well-capitalized:				
Tier 1 leverage capital.....	805,693	6.55	615,444	5.00
Tier 1 risk-based capital.....	805,693	10.84	445,780	6.00
Total risk-based capital.....	879,845	11.84	742,966	10.00

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As of June 30, 2000

	Actual Capital		Required Capital	
	Amount	Ratio	Amount	Ratio
OTS capital adequacy:				
Tangible capital.....	\$890,051	6.55%	\$203,743	1.50%
Core capital.....	896,091	6.59	407,667	3.00
Risk-based capital.....	961,520	12.59	610,757	8.00
FDICIA regulations to be classified well-capitalized:				
Tier 1 leverage capital.....	896,091	6.59	679,445	5.00
Tier 1 risk-based capital.....	896,091	11.74	458,067	6.00
Total risk-based capital.....	961,520	12.59	763,446	10.00

As of December 31, 2001, the most recent notification from the OTS categorized the Bank as "well-capitalized" under the regulatory framework for prompt corrective action provisions under FDICIA. There are no conditions or events since such notification that management believes have changed the Bank's classification.

Note 18. Commitments and Contingencies

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to

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extend credit, standby letters of credit, financial guarantees on certain loans sold with recourse and on other contingent obligations. These instruments involve elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Statement of Financial Condition. The contractual amounts of these instruments represent the maximum credit risk to the Corporation. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following table presents outstanding commitments, excluding undisbursed portions of loans in process, as follows:

	At December 31,		At
	2001	2000	June 30, 2000
Originate residential mortgage loans.....	\$180,129	\$ 73,169	\$143,394
Purchase residential mortgage loans.....	75,086	49,048	102,347
Originate commercial real estate loans.....	151,361	110,776	127,545
Originate consumer, commercial operating and agricultural loans	13,874	18,034	17,572
Unused lines of credit for commercial and consumer use.....	182,945	217,801	218,887
Purchase investment securities.....	805	41,893	1,500
	-----	-----	-----
	\$604,200	\$510,721	\$611,245
	=====	=====	=====

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Loan commitments, which are funded subject to certain limitations, extend over various periods of time. Generally, unused loan commitments are canceled upon expiration of the commitment term as outlined in each individual contract. These outstanding loan commitments to extend credit do not necessarily represent future cash requirements since many of the commitments may expire without being drawn upon. The Corporation evaluates each customer's credit worthiness on a separate basis and requires collateral based on this evaluation. Collateral consists mainly of residential family units and personal property.

At December 31, 2001 and 2000, and June 30, 2000, the Corporation had approximately \$445,000,000, \$176,862,000 and \$240,714,000, respectively, in mandatory forward delivery commitments to sell residential mortgage loans. At December 31, 2001 and 2000, and June 30, 2000, loans sold subject to recourse provisions totaled approximately \$8,750,000, \$12,912,000 and \$13,178,000, respectively, which represents the total potential credit risk associated with these particular loans. Any credit risk would, however, be offset by the value of the single-family residential properties that collateralize these loans.

The Corporation is subject to a number of lawsuits and claims for various amounts which arise out of the normal course of its business. In the opinion of management, the disposition of claims currently pending will not have a material adverse effect on the Corporation's financial position or results of operations.

On September 12, 1994, the Bank and the Corporation commenced litigation relating to supervisory goodwill against the United States in the United States Court of Federal Claims seeking to recover monetary relief for the government's refusal to honor certain contracts that it had entered into with the Bank. The suit alleges that such governmental action constitutes a breach of contract and an unlawful taking of property by the United States without just compensation or due process in violation of the Constitution of the United States. The Corporation and the Bank are pursuing alternative damage claims of up to approximately \$230,000,000. The Bank also assumed a lawsuit in the merger with Mid Continent against the United States also relating to a supervisory goodwill claim filed by the former Mid Continent. The litigation status and process of these legal actions, as well as that of numerous actions brought by others alleging similar claims with respect to supervisory goodwill and regulatory capital credits, make the value of the claims asserted by the Bank (including the Mid Continent claim) uncertain as to their ultimate outcome, and contingent on a number of factors and future events which are beyond the control of the Bank, both as to substance, timing and the dollar amount of damages that may be awarded to the Bank and the Corporation if they finally prevail in this litigation.

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### Note 19. Employee Benefit and Incentive Plans

#### Retirement Savings Plan

The Corporation maintains a contributory deferred savings 401(k) plan covering substantially all employees. The Corporation's matching contributions are equal to 100% of the first 8% of participant contributions. Participants vest immediately in their own contributions. For contributions of the Corporation, participants vest over a five-year period and, thereafter, vest 100% on an annual basis if employed on the last day of each calendar year. Contribution expense was \$3,668,000, \$2,091,000, \$3,926,000 and \$3,737,000 for



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the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999, respectively.

### Stock Option and Incentive Plans

The Corporation maintains the 1996 Stock Option and Incentive Plan (the "1996 Plan"), the 1984 Stock Option and Incentive Plan, as amended (the "1984 Plan"), and various stock option and incentive plans assumed in certain mergers since 1995. These plans permit the granting of stock options, restricted stock awards and stock appreciation rights. The Corporation's stock options expire over periods not to exceed 10 years from the date of grant with the option price equal to market value on the date of grant. Stock options either are exercisable and vest on the date of grant or over various periods not exceeding three years. Recipients of restricted stock have the usual rights of a shareholder, including the rights to receive dividends and to vote the shares; however, the common stock will not be vested until certain restrictions are satisfied. The term of the 1984 Plan extends to July 31, 2002, and the term of the 1996 Plan to September 11, 2006.

The following table presents the activity of all stock option plans for each of the two fiscal years ended June 30, 2000, the six months ended December 31, 2000, and the year ended December 31, 2001, and the stock options outstanding at the end of the respective periods:

	Stock Option Shares	Weighted Average Price Per Share	Aggregate Amount
	-----	-----	-----
Outstanding at June 30, 1998.....	2,864,256	\$19.11	\$ 54,723
Granted.....	766,825	24.19	18,549
Exercised.....	(1,000,491)	12.78	(12,785)
Canceled.....	(41,483)	32.32	(1,357)
	-----	-----	-----
Outstanding at June 30, 1999.....	2,589,107	22.84	59,130
Granted.....	796,756	15.49	12,342
Exercised.....	(184,845)	11.58	(2,141)
Canceled.....	(251,216)	27.49	(6,906)
	-----	-----	-----
Outstanding at June 30, 2000.....	2,949,802	21.16	62,425
Granted.....	92,935	16.08	1,494
Exercised.....	(64,650)	12.96	(838)
Canceled.....	(143,107)	23.59	(3,376)
	-----	-----	-----
Outstanding at December 31, 2000.....	2,834,980	21.06	59,705
Granted.....	1,086,468	21.71	23,583
Exercised.....	(354,009)	13.03	(4,613)
Canceled.....	(335,317)	22.70	(7,612)
	-----	-----	-----
Outstanding at December 31, 2001.....	3,232,122	\$21.99	\$ 71,063
	=====	=====	=====
Exercisable at December 31, 2001.....	2,133,635	\$22.88	\$ 48,818
	=====	=====	=====
Shares available for future grants at December 31, 2001:			
1984 Plan.....	120,300		
1996 Plan.....	1,123,800		

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The following table summarizes information about the Corporation's stock options outstanding at December 31, 2001:

Range of Exercise Prices	Shares Subject to Outstanding Options			Shares Exercisable	
	Stock Option Shares Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Stock Option Shares Exercisable	Weighted Average Exercise Price
\$ 2.23 - \$ 6.26	9,591	2.30	\$ 6.22	9,591	\$ 6.22
9.01 - 12.61	166,725	4.96	11.09	166,725	11.09
13.77 - 15.69	677,421	8.04	15.40	372,812	15.16
16.43 - 18.50	210,568	6.96	17.54	210,568	17.54
22.00 - 23.08	1,152,376	8.51	22.08	358,498	22.26
24.19 - 25.26	513,214	7.33	24.22	513,214	24.22
34.16	502,227	6.37	34.16	502,227	34.16
-----	-----	-----	-----	-----	-----
\$ 2.23 - \$34.16	3,232,122	7.59	\$21.99	2,133,635	\$22.88
=====	=====	=====	=====	=====	=====

During the year ended December 31, 2001, a total of 957,808 options were granted to executives, managers and employees under the 1996 Plan. During the six months ended December 31, 2000, and fiscal year 2000, a total of 50,000 options and 653,538 options, respectively, were granted to executives and managers under the 1996 Plan.

The Board of Directors received their fees as discounted stock options under the 1996 Plan for 68,660 shares, 42,935 shares and 83,218 shares, respectively, during the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal year 2000. Director compensation expense resulting from the issuance of these stock options totaled \$321,000, \$558,000 and \$168,000 for the respective periods. During the year ended December 31, 2001, and during fiscal years 2000 and 1999, non-incentive stock options for 60,000 shares, 60,000 shares and 50,000 shares, respectively, also were granted to directors under the 1996 Plan.

The Corporation applies APB Opinion No. 25 in accounting for its stock option and incentive plans so no compensation cost is recognized for stock options granted. The effect on the Corporation's net income (loss) and earnings (loss) per share is presented in the following table as if compensation cost was determined based on the fair value at the grant dates for stock options awarded pursuant to the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

	Year Ended	Six Months	Year Ended June 30,	
	December 31,	Ended	December 31,	-----
	2001	December 31,	2000	1999
	-----	-----	-----	-----
Net income (loss):				
As reported.....	\$97,682	\$ (69,501)	\$104,008	\$92,392
Pro forma.....	95,150	(69,883)	102,400	84,101

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### Earnings (loss) per share:

#### Basic--

As reported.....	\$ 1.95	\$ (1.27)	\$ 1.79	\$ 1.55
Pro forma.....	1.90	(1.28)	1.76	1.41

#### Diluted--

As reported.....	\$ 1.93	\$ (1.27)	\$ 1.79	\$ 1.54
Pro forma.....	1.91	(1.28)	1.79	1.42

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The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions used as follows:

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year Ended June 30, 2000	Year Ended June 30, 1999
Dividend yield.....	1.26%--1.95%	1.51%--2.27%	1.47%--2.25%	1.07%
Expected stock price volatility	29%	29%	29%	26%
Risk-free interest rates.....	4.17%--5.03%	5.07%--5.93%	5.97%--6.75%	5.50%
Expected option lives.....	6 years	6 years	6 years	6 years

Restricted stock may also be granted for awards earned under management incentive plans. On the grant dates of December 31, 2001, and June 30, 1999, the Corporation issued restricted stock for 84,030 shares and 39,072 shares, respectively, with an aggregate market value of \$1,975,000 and \$906,000, respectively. No awards were granted for the six months ended December 31, 2000, or fiscal year 2000. The awards of restricted stock vest 20% on each anniversary of the grant date, provided that the employee has completed the specified service requirement, or earlier under certain conditions. Total deferred compensation on the unvested restricted stock totaled \$2,193,000, \$503,000, \$805,000, and \$1,887,000 at December 31, 2001 and 2000, and June 30, 2000 and 1999, respectively, and is recorded as a reduction of stockholders' equity. The value of the restricted shares is amortized to compensation expense over the five-year vesting period. Compensation expense applicable to the restricted stock totaled \$196,000, \$177,000, \$607,000 and \$960,000 for the year ended December 31, 2001, the six months ended December 31, 2000, and fiscal years 2000 and 1999, respectively.

#### Postretirement Benefits

The Corporation recognizes the cost of providing postretirement benefits other than pensions over the employee's period of service. The determination of the accrued liability requires a calculation of the accumulated postretirement benefit obligation which represents the actuarial present value of postretirement benefits to be paid out in the future (primarily health care benefits to be paid to retirees) that have been earned as of the end of the year. The Corporation's postretirement benefit plan is unfunded and amounts are not material.

#### Note 20. Exit Costs and Termination Benefits

##### August 2000 Key Strategic Initiatives

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On August 14, 2000 the Board of Directors approved a series of strategic initiatives aimed at improving the overall operations of the Corporation. Key initiatives included:

- . A complete balance sheet review including the disposition of over \$2.0 billion in low-yielding and higher risk investments and residential mortgage loans. The proceeds from these dispositions were to be used to reduce high-cost borrowings, repurchase additional shares of common stock and reinvest in lower risk securities.
- . A thorough assessment of the Bank's delivery and servicing systems.
- . The sale of the leasing company acquired in a February 1998 acquisition.
- . Acceleration of the disposition of other real estate owned.
- . A management restructuring to further streamline the organization and improve efficiencies as well as the appointment of a new chief operating officer.
- . A program to further strengthen the commercial lending portfolio by actively recruiting new lenders in order to accelerate the growth in loans experienced over the past year, while maintaining credit quality.

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- . A change in the Corporation's fiscal year end from June 30 to December 31.
- . An expansion of the Corporation's common stock repurchase program by up to 10% of its outstanding shares, or approximately 5,500,000 shares.

During the six months ended December 31, 2000, the Corporation transferred \$1,751,195,000 of held-to-maturity securities to the trading and available for sale portfolios. The transfer of these securities resulted in an after-tax loss of \$18,483,000 recorded against current operations on July 1, 2000, as a cumulative adjustment of a change in accounting principle, net of income tax benefits of \$9,952,000. During the six months ended December 31, 2000, the Corporation also sold investment securities and mortgage-backed securities totaling \$1,166,953,000 resulting in pre-tax losses of \$29,970,000 and securitized residential loans totaling \$1,651,578,000 resulting in a pre-tax loss of \$18,248,000. Proceeds from these sales were used to purchase lower-risk, higher-yielding assets, repay FHLB advances and repurchase common stock. The balance sheet restructuring was completed during the six months ended December 31, 2000.

Under this initiative, the Corporation closed or consolidated 12 branches and sold 34 branches in 2001. The branches were located in Iowa (22), Kansas (11), Missouri (6), Nebraska (3), Oklahoma (3) and Arizona (1). Deposits totaling \$446,267,000 were associated with these branch sales. During the year ended December 31, 2001, the Corporation realized net gains totaling \$18,304,000 relating to the sold branches. These gains were from the premiums received on the sales of deposits, loans and fixed assets. Severance costs associated with right-sizing branch personnel and expenses to close branches totaled \$1,979,000. Four branches in Minnesota with deposits totaling approximately \$20,000,000 are remaining to be sold as of December 31, 2001. It is anticipated that these four branches will be sold by June 30, 2002. During the six months ended December 31, 2000, the Corporation recorded a pre-tax

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charge of \$16,992,000 related to exit costs and write-offs of intangible assets associated with these branch divestitures.

The leasing portfolio was reclassified to held for sale during the six months ended December 31, 2000. A substantial portion of the leasing portfolio was sold in February 2001 with the closing of the transaction in April 2001. Additional expenses to finalize this transaction totaling \$754,000 were recorded in the first quarter of 2001. Adjustment to fair value and additional expenses totaling \$4,602,000 were recorded as exit costs and termination benefits during the six months ended December 31, 2000.

The Corporation purchased 7,662,500 shares of its common stock during 2001 at a cost of \$180,877,000. Of this amount, a total of 4,201,500 shares costing \$103,439,000 were purchased during 2001 under the 5,500,000 shares authorization.

During the six months ended December 31, 2000, the Corporation recorded \$2,119,000 as exit costs and termination benefits related to the outplacement of personnel. These costs consist of severance, benefits and related professional services. The Corporation also incurred fees totaling \$2,887,000 for consulting services during the six months ended December 31, 2000. The consulting services were related to the identification and implementation of these key strategic initiatives.

### November 1999 Initiative

On November 5, 1999, the Corporation announced an initiative to integrate the Corporation's new data processing system to support community-banking operations. Major aspects of the plan included 21 branches to be sold or closed, the elimination of 121 positions and the consolidation of the correspondent loan servicing operations. Implementation of this plan resulted in charges totaling \$3,941,000 that was recorded in fiscal year 2000. The plan eliminated 121 positions with personnel costs consisting of severance, benefits and related professional services totaling \$1,564,000. The plan also included the consolidation of the correspondent loan servicing functions to Omaha, Nebraska from Wichita, Kansas and Denver, Colorado. The portion of the plan relating to eliminating positions and consolidating the loan servicing operations was completed by June 30, 2000. The 21 branches to be sold and closed were located in Iowa (15), Kansas (5) and Missouri (1). Direct and

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incremental costs associated with this part of the plan totaled \$2,377,000. Six branches were sold or closed as of June 30, 2000.

During the six months ended December 31, 2000, 14 remaining branches were sold or closed with one remaining branch considered part of the August 2000 branch divestitures. The Corporation realized net gains totaling \$2,524,000 during the six months ended December 31, 2000, primarily from the branches sold. These gains were from premiums realized on the sales of deposits, loans and fixed assets.

Total exit costs and termination benefits relating to the 2000 and 1999 initiatives are summarized below for the following periods:

Year Ended	Six Months	Ye
December 31,	Ended	End
	December 31,	June

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	2001	2000	20
Branch sales and closings.....	\$ 1,979	\$ 16,992	\$ 2
Exiting leasing operations.....	754	4,602	
Management restructuring and personnel outplacement.....	--	2,119	1
Consulting services.....	--	2,887	
Various other charges.....	5	1,688	
	2,738	28,288	3
Less net gains on the sales of branches.....	(18,304)	(2,524)	
Total exit costs and termination benefits (gains), before tax	(15,566)	25,764	3
Income tax expense (benefit), net.....	5,448	(4,653)	(1
Total exit costs and termination benefits (gains), after tax.	\$ (10,118)	\$ 21,111	\$ 2

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Note 21. Change in Fiscal Year End

Effective July 1, 2000, the Corporation changed its fiscal year from a twelve month period ending June 30 to a twelve month period ending December 31. The Corporation's consolidated financial statements include the six-month transition period from July 1, 2000, to December 31, 2000.

The following table presents certain financial information for the six months ended December 31, 2000, to the comparable six month period ending December 31, 1999:

	2000	1
Total interest income.....	\$ 498,732	\$
Total interest expense.....	344,297	
Provision for loan losses.....	(27,854)	
Total other income (loss).....	(40,106)	
Total other expense.....	156,542	
Income (loss) before income taxes and cumulative effect of change in accounting principle.....	(70,067)	
Income tax provision (benefit).....	(19,691)	
Income (loss) before cumulative effect of change in accounting principle.....	(50,376)	
Cumulative effect of change in accounting principle, net of tax benefit.....	(19,125)	
Net income (loss).....	\$ (69,501)	\$
Per common share:		
Income (loss) before cumulative effect of change in accounting principle....	\$ (.92)	\$
Cumulative effect of change in accounting principle, net.....	(.35)	
Net income (loss).....	\$ (1.27)	\$
Dividends declared per common share.....	\$ .140	\$

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Weighted average shares outstanding..... 54,705,067 59,  
 =====

Note 22. Cumulative Effect of Change in Accounting Principle

Accounting for Derivative Instruments and Hedging Activities

Effective July 1, 2000, the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 required the recognition of all derivative financial instruments as either assets or liabilities in the statement of financial condition and measurement of those instruments at fair value. Changes in the fair values of those derivatives are reported in current operations or other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of a derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. Under the provisions of SFAS No. 133, the method used for assessing the effectiveness of a hedging derivative, as well as the measurement approach for determining the ineffective aspects of the hedge, must have been established at the inception of the hedge.

The Corporation identified four types of derivative instruments which were recorded on the Corporation's Consolidated Statement of Financial Condition on July 1, 2000. The derivative instruments are interest rate swap agreements, interest rate floor agreements, forward loan sales commitments and fixed-rate conforming loan commitments.

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The interest rate swap agreements are used to synthetically extend the maturities of certain deposits and FHLB advances for asset liability management and interest rate risk management purposes. Since the swap agreements qualify as a cash flow hedge under SFAS No. 133, the fair value of these agreements totaling \$8,686,000 was recorded as a credit to other comprehensive income in stockholders' equity at July 1, 2000, net of income taxes of \$3,238,000, or \$5,448,000 after-tax.

The interest rate cap agreements, interest rate floor agreements, forward loan sales commitments and the conforming loan commitments did not qualify for hedge accounting or were not designed hedges so their fair value adjustments were recorded to operations. The fair value of these derivatives totaling \$1,002,000 was recorded as a charge to operations on July 1, 2000, as part of a cumulative effect of a change in accounting principle.

Under the provisions of SFAS No. 133, on July 1, 2000, the Corporation transferred substantially all of its securities from the held-to-maturity portfolio to the available-for-sale and trading portfolios as follows:

Securities Transferred					
Security	Available for				
	Sale (at Fair Value)	Trading (at Fair Value)	Total Fair Value	Total Book Value	Pre-tax Loss
-----	-----	-----	-----	-----	-----

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Investment securities.....	\$ 491,865	\$336,651	\$ 828,516	\$ 893,419	\$(64,903)
Mortgage-backed securities	767,542	67,510	835,052	857,776	(22,724)
	-----	-----	-----	-----	-----
	\$1,259,407	\$404,161	\$1,663,568	\$1,751,195	\$(87,627)
	=====	=====	=====	=====	=====

As of July 1, 2000, the transfer of the securities had the following effect on operations and other comprehensive income (loss):

	Adjustment to Operations	Adjustment to Other Comprehensive Income (Loss)	Total Adjustments
	-----	-----	-----
Pre-tax loss on securities	\$(28,435)	\$(59,192)	\$(87,627)
Income tax benefit.....	9,952	22,984	32,936
	-----	-----	-----
Net loss.....	\$(18,483)	\$(36,208)	\$(54,691)
	=====	=====	=====

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Adopting the provisions of SFAS No. 133 on July 1, 2000, which included the transfer of securities and recording the fair value of the derivative instruments, had the following effect on operations and other comprehensive income (loss):

	Pre-tax Gain (Loss)	Income Taxes	Net Gain (Loss)
	-----	-----	-----
Recorded to current operations as a cumulative effect of a change in accounting principle:			
Transfer of securities from held-to-maturity to trading.....	\$(28,435)	\$ 9,952	\$(18,483)
Fair value of interest rate floor agreements.....	(316)	114	(202)
Fair value of forward loan sales commitments.....	(1,420)	510	(910)
Fair value of conforming loan commitments.....	734	(264)	470
	-----	-----	-----
	\$(29,437)	\$10,312	\$(19,125)
	=====	=====	=====
Recorded to other comprehensive income (loss) as a cumulative effect of a change in accounting principle:			
Transfer of securities from held-to-maturity to available for sale	\$(59,192)	\$22,984	\$(36,208)
Fair value of interest rate swap agreements.....	8,686	(3,238)	5,448
	-----	-----	-----
	\$(50,506)	\$19,746	\$(30,760)
	=====	=====	=====

All of the securities in the trading portfolio were sold during the three months ended September 30, 2000. Future changes in fair value on the remaining



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available-for-sale portfolio are adjusted through other comprehensive income (loss).

The following reflects the net changes in accumulated other comprehensive income (loss) for the six months ended December 31, 2000:

	Six Months Ended December 31, 2000				Balance December 31, 2000
	Balance, June 30, 2000	Implementation of SFAS No. 133 on July 1, 2000	Net Changes in Fair Values	Reclassification of Net Gains (Losses) to Earnings	
Securities available for sale	\$(27,503)	\$(59,192)	\$ 77,728	\$29,970	\$ 21,003
Interest rate swap agreements	--	8,686	(92,749)	38,379	(45,684)
Interest only strips.....	2,057	--	(2,160)	460	357
	-----	-----	-----	-----	-----
	(25,446)	(50,506)	(17,181)	68,809	(24,324)
Income tax effect.....	9,506	19,746	(16,457)	(3,793)	9,002
	-----	-----	-----	-----	-----
Net changes.....	\$(15,940)	\$(30,760)	\$(33,638)	\$65,016	\$(15,322)
	=====	=====	=====	=====	=====

### Reporting the Costs of Start-Up Activities

Effective July 1, 1999, the Corporation adopted the provisions of Statement of Position 98-5 "Reporting the Costs of Start-Up Activities," which required that costs of start-up activities and organizational costs be expensed as incurred. The effect of adopting the provisions of this statement was to record a charge of \$1,776,000 net of an income tax benefit of \$978,000, or \$.03 per diluted share, as a cumulative effect of a change in accounting principle for the fiscal year ended June 30, 2000. These costs consist of organizational costs primarily associated with the creation of a real estate investment trust subsidiary and start-up costs of the proof of deposit department for processing customer transactions following the conversion of the Corporation's deposit system.

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### Note 23. Acquisitions

#### Fiscal Year 1999 Acquisitions

On March 1, 1999, the Corporation acquired Midland for total consideration of \$83,000,000. Midland Bank operated eight branches in the greater Kansas City, Missouri area. At February 28, 1999, Midland had total assets of \$399,200,000, deposits of \$353,100,000 and stockholders' equity of \$24,200,000. This acquisition was accounted for as a purchase. Core value of deposits totaling \$9,298,000 is amortized on an accelerated basis over 10 years. Goodwill totaling \$54,389,000 was amortized on a straight-line basis over 25 years. The effect of the Midland acquisition on the Corporation's consolidated financial statements as if this acquisition had occurred at the beginning of fiscal year 1999 is not material.

On August 14, 1998, the Corporation acquired First Colorado for 18,278,789 shares of its common stock. This acquisition was accounted for as a pooling of

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interests. First Colorado operated 27 branches in Colorado. At July 31, 1998, First Colorado had assets of \$1,572,200,000, deposits of \$1,192,700,000 and stockholders' equity of \$254,700,000.

On July 31, 1998, the Corporation acquired AmerUs for total consideration of \$178,269,000. AmerUs operated 47 branches located in Iowa, Missouri, Nebraska, Kansas, Minnesota and South Dakota. At July 31, 1998, before purchase accounting adjustments, AmerUs had total assets of \$1,266,800,000, deposits of \$949,700,000 and stockholder's equity of \$84,800,000. This acquisition was accounted for as a purchase. Core value of deposits totaling \$16,242,000 is amortized on an accelerated basis over 10 years. Goodwill totaling \$107,739,000 was amortized on a straight-line basis over 25 years. The accounts and consolidated results of operations for fiscal year 1999 include the results of AmerUs beginning July 31, 1998. The following table summarizes results on an audited consolidated pro forma basis for the fiscal year ended June 30, 1999, as though this purchase had occurred at the beginning of the period:

Total interest income and other income	\$921,607
Net income.....	69,345
Diluted earnings per common share.....	1.15

Note 24. Merger Expenses and Other Nonrecurring Charges

During fiscal year 1999 the Corporation incurred merger expenses and other nonrecurring charges totaling \$30,043,000 (\$27,089,000 after tax). The merger expenses totaled \$29,917,000 and were associated with the First Colorado acquisition and the termination of three employee stock ownership plans acquired in mergers. Other nonrecurring net charges totaled \$126,000 but were not classified in the merger expenses category of general and administrative expenses.

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Note 25. Financial Information (Parent Company Only)

CONDENSED STATEMENT OF FINANCIAL CONDITION

	December 31,		June 30,
	2001	2000	2000
A S S E T S			
Cash.....	\$ 13,416	\$ 36,026	\$ 44,374
Investment securities available for sale, at fair value.....	--	302	562
Investment securities held to maturity (fair value of \$8,614)...	--	--	8,711
Other assets.....	2,805	4,100	3,571
Equity in CFC Preferred Trust.....	1,392	1,392	1,392
Equity in Commercial Federal Bank.....	854,176	999,914	1,120,268
Total Assets.....	\$871,789	\$1,041,734	\$1,178,878
L I A B I L I T I E S A N D S T O C K H O L D E R S ' E Q U I T Y			

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Liabilities:			
Other liabilities.....	\$ 4,643	\$ 8,165	\$ 19,258
Term note.....	54,375	63,438	65,250
Revolving line of credit.....	10,000	10,000	10,000
Subordinated extendible notes.....	21,725	50,000	50,000
Junior subordinated deferrable interest debentures.....	46,392	46,392	46,392
	-----	-----	-----
Total Liabilities.....	137,135	177,995	190,900
	-----	-----	-----
Stockholders' Equity.....	734,654	863,739	987,978
	-----	-----	-----
Total Liabilities and Stockholders' Equity.....	\$871,789	\$1,041,734	\$1,178,878
	=====	=====	=====

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CONDENSED STATEMENT OF OPERATIONS

	Year Ended December 31, 2001	Six Months Ended December 31, 2000	Year End ----- 2000
	-----	-----	-----
Revenues:			
Dividend income from the Bank.....	\$ 216,000	\$ 57,000	\$117,818
Interest income.....	1,304	902	767
Other income (loss).....	26	(235)	54
Expenses:			
Interest expense.....	(12,601)	(7,620)	(14,526)
Operating expenses.....	(981)	(1,255)	(1,218)
	-----	-----	-----
Income before income taxes, extraordinary items and equity in undistributed earnings (losses) of subsidiaries.....	203,748	48,792	102,895
Income tax benefit.....	(4,215)	(2,994)	(5,430)
	-----	-----	-----
Income before extraordinary items and equity in undistributed earnings (losses) of subsidiaries.....	207,963	51,786	108,325
Cumulative effect of change in accounting principle, net.....	--	--	(12)
	-----	-----	-----
Income before equity in undistributed earnings (losses) of subsidiaries.....	207,963	51,786	108,313
Equity in undistributed (overdistributed) earnings (losses) of subsidiaries.....	(110,281)	(121,287)	(4,305)
	-----	-----	-----
Net income (loss).....	\$ 97,682	\$ (69,501)	\$104,008
	=====	=====	=====

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CONDENSED STATEMENT OF CASH FLOWS

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	Year Ended December 31, 2001 -----	Six Months Ended December 31 2000 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss).....	\$ 97,682	\$ (69,501)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net.....	--	--
Equity in undistributed (overdistributed) losses (earnings) of subsidiaries.....	110,281	121,287
Other items, net.....	(2,009)	(11,177)
	-----	-----
Total adjustments.....	108,272	110,110
	-----	-----
Net cash provided by operating activities.....	205,954	40,609
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment securities available for sale..	121	8,122
Maturities and repayments of investment securities available for sale.....	180	666
Purchase of investment securities held to maturity.....	--	--
Purchase of investment securities available for sale.....	--	--
Payments for acquisitions.....	--	--
Other items, net.....	--	--
	-----	-----
Net cash provided (used) by investing activities.....	301	8,788
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable.....	--	--
Payment of notes payable.....	(37,338)	(1,812)
Repurchases of common stock.....	(180,877)	(48,953)
Issuance of common stock.....	4,579	775
Payment of cash dividends on common stock.....	(15,239)	(7,755)
Other items, net.....	10	--
	-----	-----
Net cash (used) provided by financing activities.....	(228,865)	(57,745)
	-----	-----
CASH AND CASH EQUIVALENTS		
(Decrease) increase in net cash position.....	(22,610)	(8,348)
Balance, beginning of year.....	36,026	44,374
	-----	-----
Balance, end of year.....	\$ 13,416	\$ 36,026
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid (received) during the period for:		
Interest expense.....	\$ 14,841	\$ 4,709
Income taxes, net.....	31,049	(12,791)
Non-cash investing and financing activities:		
Securities transferred from held-to-maturity to available for sale.....	--	8,711
Common stock received in connection with employee benefit and incentive plans, net.....	(114)	--

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	Year Ended June 30,	
	2000	1999
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss).....	\$104,008	\$ 92,392
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net.....	12	--
Equity in undistributed (overdistributed) losses (earnings) of subsidiaries.....	4,305	(39,443)
Other items, net.....	9,457	16,639
	-----	-----
Total adjustments.....	13,774	(22,804)
	-----	-----
Net cash provided by operating activities.....	117,782	69,588
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investment securities available for sale..	--	--
Maturities and repayments of investment securities available for sale.....	--	--
Purchase of investment securities held to maturity.....	(8,711)	--
Purchase of investment securities available for sale.....	(581)	--
Payments for acquisitions.....	--	(179,556)
Other items, net.....	30	2,479
	-----	-----
Net cash provided (used) by investing activities.....	(9,262)	(177,077)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of notes payable.....	50,000	85,000
Payment of notes payable.....	(47,250)	(13,500)
Repurchases of common stock.....	(63,895)	(36,218)
Issuance of common stock.....	2,363	45,095
Payment of cash dividends on common stock.....	(15,776)	(13,539)
Other items, net.....	--	11,058
	-----	-----
Net cash (used) provided by financing activities.....	(74,558)	77,896
	-----	-----
<b>CASH AND CASH EQUIVALENTS</b>		
(Decrease) increase in net cash position.....	33,962	(29,593)
Balance, beginning of year.....	10,412	40,005
	-----	-----
Balance, end of year.....	\$ 44,374	\$ 10,412
	=====	=====
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid (received) during the period for:		
Interest expense.....	\$ 16,611	\$ 10,722
Income taxes, net.....	24,275	54,249
Non-cash investing and financing activities:		
Securities transferred from held-to-maturity to available for sale.....	--	--
Common stock received in connection with employee		

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benefit and incentive plans, net..... (135) (475)

Note 26. Segment Information

The Corporation currently has two distinct lines of business operations for the purposes of management reporting: Community Banking and Mortgage Banking. These segments were determined based on the Corporation's financial accounting and reporting processes. Management makes operating decisions and assesses performance based on a continuous review of these two primary operations.

The Community Banking segment involves a variety of traditional banking and financial services. These services include retail banking services, consumer checking and savings accounts, and loans for consumer, commercial real estate, residential mortgage and business purposes. Also included in this segment is insurance and securities brokerage services. The Community Banking services are offered through the Bank's branch network, ATMs, 24-hour telephone centers and the Internet. Community Banking is also responsible for the Corporation's investment and mortgage-backed securities portfolios and the corresponding management of deposits, advances from the FHLB and certain other borrowings.

The Mortgage Banking segment involves the origination and purchase of residential mortgage loans, the sale of these mortgage loans in the secondary mortgage market, the servicing of mortgage loans and the purchase and origination of rights to service mortgage loans. Mortgage Banking operations are conducted through the Bank's branches, offices of a mortgage banking subsidiary and a nationwide correspondent network of mortgage loan originators. The Bank allocates expenses to the Mortgage Banking operation on terms that are not necessarily indicative of those which would be negotiated between unrelated parties. The Mortgage Banking segment also originates and sells loans to the Bank. Substantially all loans sold to the Bank from the Mortgage Banking operation are at net book value, resulting in no gains or losses. In fiscal year 1999 and previous years, these sales were primarily at par such that the Mortgage Banking operation recorded losses equal to the expenses it incurred net of fees collected. All of these losses were deferred by the Bank and amortized over the estimated life of the loans the Bank purchased.

The parent company includes interest income earned on intercompany cash balances and intercompany transactions, interest expense on parent company debt and operating expenses for general corporate purposes. The contribution of the major business segments to the consolidated results for the periods indicated is summarized in the following tables:

	Community Banking	Mortgage Banking	Parent Company	Eliminations/ Adjustments	Consolidated Total
	-----	-----	-----	-----	-----
YEAR ENDED DECEMBER 31, 2001:					
Net interest income (expense).. \$	286,506	\$ 14,529	\$ (11,297)	\$ 17,691	\$ 307,429
Provision for loan losses.....	(38,354)	(591)	--	--	(38,945)
Total other income.....	122,864	31,080	105,745	(139,302)	120,387
Total other expense.....	218,869	28,086	981	(121)	247,815
Net income before income taxes.	152,147	16,932	93,467	(121,490)	141,056
Income tax provision (benefit).	41,402	6,187	(4,215)	--	43,374
Net income.....	110,745	10,745	97,682	(121,490)	97,682

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Total revenue.....	963,261	45,609	107,049	(124,158)	991,761
Intersegment revenue.....	26,276	1,800	106,974		
Depreciation and amortization..	18,131	696	14	--	18,841
Total assets.....	12,879,048	679,984	871,789	(1,529,236)	12,901,585

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	Community Banking	Mortgage Banking	Parent Company	EL A
	-----	-----	-----	-----
SIX MONTHS ENDED				
DECEMBER 31, 2000:				
Net interest income (expense).....	\$ 141,772	\$ 6,981	\$ (6,718)	\$
Provision for loan losses.....	(27,447)	(407)	--	--
Total other income (loss).....	(46,196)	23,793	(64,522)	--
Total other expense.....	140,892	14,457	1,255	--
Net income (loss) before income taxes and cumulative effect of change in accounting principle.....	(72,763)	15,910	(72,495)	--
Income tax provision (benefit).....	(22,435)	5,738	(2,994)	--
Income (loss) before cumulative effect of change in accounting principle.....	(50,328)	10,172	(69,501)	--
Cumulative effect of change in accounting principle, net.....	(18,483)	(642)	--	--
Net income (loss).....	(68,811)	9,530	(69,501)	--
Total revenue.....	435,750	30,774	(63,620)	--
Intersegment revenue.....	12,125	9,574	(63,579)	--
Depreciation and amortization.....	9,556	403	9	--
Total assets.....	12,822,566	368,190	1,041,734	--
YEAR ENDED JUNE 30, 2000:				
Net interest income (expense).....	\$ 310,923	\$ 21,495	\$ (13,759)	\$
Provision for loan losses.....	(12,993)	(767)	--	--
Total other income.....	110,770	58,237	113,567	--
Total other expense.....	242,653	34,319	1,218	--
Net income before income taxes and cumulative effect of change in accounting principle.....	166,047	44,646	98,590	--
Income tax provision (benefit).....	46,711	13,988	(5,430)	--
Income before cumulative effect of change in accounting principle.....	119,336	30,658	104,020	--
Cumulative effect of change in accounting principle, net.....	(1,759)	(5)	(12)	--
Net income.....	117,577	30,653	104,008	--
Total revenue.....	1,000,338	79,750	114,334	--
Intersegment revenue.....	42,582	11,083	114,246	--
Depreciation and amortization.....	19,160	1,243	11	--
Total assets.....	13,922,296	324,987	1,178,878	--
YEAR ENDED JUNE 30, 1999:				
Net interest income (expense).....	\$ 312,502	\$ 11,075	\$ (10,802)	\$
Provision for loan losses.....	(11,980)	(420)	--	--
Total other income.....	95,020	41,015	107,709	--
Total other expense.....	224,578	21,549	8,557	--
Net income before income taxes.....	170,964	30,121	88,350	--

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Income tax provision (benefit).....	57,474	9,828	(4,042)
Net income.....	113,490	20,293	92,392
Total revenue.....	909,055	52,708	110,082
Intersegment revenue.....	33,764	6,952	109,034
Depreciation and amortization.....	16,382	1,760	30
Total assets.....	12,909,398	282,374	1,146,605

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Note 27. Quarterly Financial Data (Unaudited)

The following summarizes the unaudited quarterly results of operations for the periods indicated:

	Quarter Ended			
	December 31	September 30	June 30	March 31
YEAR ENDED DECEMBER 31, 2001:				
Total interest income.....	\$208,519	\$217,914	\$220,863	\$224,078
Net interest income.....	82,092	78,227	75,281	71,829
Provision for loan losses.....	(8,265)	(19,800)	(6,437)	(4,443)
Gain (loss) on sales of securities and loans, net	(185)	18,833	(1,076)	6,589
Net income.....	25,116	23,982	26,350	22,234
Earnings per common share:				
Basic.....	.54	.48	.51	.42
Diluted.....	.53	.48	.51	.42
Dividends declared per share.....	.08	.08	.08	.07

	Quarter Ended	
	December 31	September 30
SIX MONTHS ENDED DECEMBER 31, 2000:		
Total interest income.....	\$247,017	\$251,715
Net interest income.....	73,882	80,553
Provision for loan losses.....	(15,206)	(12,648)
Loss on sales of securities and loans, net.....	(84,208)	(3,277)
Cumulative effect of change in accounting principle, net.....	--	(19,125)
Net loss.....	(47,675)	(21,826)
Loss per basic and diluted common share:		
Loss before cumulative effect of change in accounting principle.	(.88)	(.04)
Cumulative effect of change in accounting principle, net.....	--	(.35)
Net loss.....	(.88)	(.39)
Dividends declared per share.....	.07	.07

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	Quarter Ended		
	June 30	March 31	December 31
YEAR ENDED JUNE 30, 2000:			
Total interest income.....	\$239,280	\$ 232,529	\$ 232,344
Net interest income.....	83,125	85,071	86,338
Provision for loan losses.....	(3,300)	(3,700)	(3,460)
Gain (loss) on sales of securities and loans, net.....	(112)	(239)	363
Cumulative effect of change in accounting principle, net....	--	--	--
Net income.....	24,321	26,490	28,759
Earnings per basic and diluted common share:			
Income before cumulative effect of change in accounting principle.....	.43	.46	.49
Cumulative effect of change in accounting principle, net.	--	--	--
Net income.....	.43	.46	.49
Dividends declared per share.....	.07	.07	.07
YEAR ENDED JUNE 30, 1999:			
Total interest income.....	\$220,706	\$ 216,072	\$ 203,715
Net interest income.....	88,856	87,442	81,415
Provision for loan losses.....	(2,800)	(2,800)	(3,000)
Gain on sales of securities and loans, net.....	30	883	3,293
Net income.....	29,874	16,169	31,226
Earnings per common share:			
Basic.....	.49	.27	.53
Diluted.....	.49	.27	.52
Dividends declared per share.....	.065	.065	.065

Note 28. Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires that the Corporation disclose estimated fair value amounts of its financial instruments. It is management's belief that the fair values presented below are reasonable based on the valuation techniques and data available to the Corporation as of December 31, 2001 and 2000, and June 30, 2000, as more fully described in the following discussion. It should be noted that the operations of the Corporation are managed from a going concern basis and not a liquidation basis. As a result, the ultimate value realized for the financial instruments presented could be substantially different when actually recognized over time through the normal course of operations. The valuation does not consider the intangible franchise value of the institution, which management believes to be substantial.

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The following presents the carrying value and fair value of the specified assets and liabilities held by the Corporation as of the dates indicated. This information is presented solely for compliance with SFAS No. 107 and is subject to change over time based on a variety of factors.

December 31, 2001	December 31, 2000	June 30,
Carrying	Carrying	Carrying

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	Value	Fair Value	Value	Fair Value	Value	F
	-----	-----	-----	-----	-----	-----
<b>FINANCIAL ASSETS</b>						
Cash (including short-term investments)	\$ 206,765	\$ 206,765	\$ 192,358	\$ 192,358	\$ 199,566	\$
Investment securities.....	1,150,345	1,150,345	771,137	771,137	993,167	
Mortgage-backed securities.....	1,829,728	1,829,728	1,514,510	1,514,510	1,220,138	
Loans receivable, net.....	8,403,425	8,561,303	8,893,374	8,927,404	10,407,692	
Federal Home Loan Bank stock.....	253,946	253,946	251,537	251,537	255,756	
Other assets--						
Conforming loan commitments.....	68	68	354	354	n/a	
Interest rate floor agreements.....	3,071	3,071	1,809	1,809	n/a	
Forward loan sales commitments.....	3,060	3,060	--	--	n/a	
<b>FINANCIAL LIABILITIES</b>						
<b>Deposits:</b>						
Passbook accounts.....	1,939,596	1,939,596	1,861,074	1,861,074	1,575,380	
NOW checking accounts.....	1,198,646	1,198,646	1,065,970	1,065,970	1,028,640	
Market rate savings accounts.....	304,620	304,620	382,344	382,344	531,317	
Certificates of deposit.....	2,953,660	2,961,651	4,385,098	4,368,094	4,195,163	
Total deposits.....	6,396,522	6,404,513	7,694,486	7,677,482	7,330,500	
Advances from Federal Home Loan Bank...	4,939,056	5,078,278	3,565,465	3,574,225	5,049,582	
Other borrowings.....	520,213	520,602	175,343	169,522	206,026	
Other liabilities--						
Forward loan sales commitments.....	--	--	2,085	2,085	n/a	
Interest rate swap agreements.....	109,913	109,913	37,252	37,252	n/a	
<b>OFF-BALANCE SHEET FINANCIAL INSTRUMENTS</b>						
Interest rate swap and floor agreements	n/a	n/a	n/a	n/a	417	
Forward loan sales commitments.....	n/a	n/a	n/a	n/a	--	
Conforming loan commitments.....	n/a	n/a	n/a	n/a	--	

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The following sets forth the methods and assumptions used in determining the fair value estimates for the Corporation's financial instruments at December 31, 2001 and 2000, and June 30, 2000.

Cash and Short-Term Investments

The book value of cash and short-term investments is assumed to approximate the fair value of these assets.

Investment Securities

Quoted market prices or dealer quotes were used to determine the fair value of investment securities available for sale and held to maturity. At December 31, 2001 and 2000, all investment securities were classified as available for sale.

Mortgage-Backed Securities

For mortgage-backed securities available for sale and held to maturity the Corporation utilized quotes for similar or identical securities in an actively traded market, where such a market exists, or obtained quotes from independent security brokers to determine the fair value of these assets. At December 31, 2001 and 2000, all mortgage-backed securities were classified as available for

sale.

#### Loans Receivable, Net

The fair value of loans receivable was estimated by discounting anticipated future cash flows using the current market rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities. When using the discounting method to determine fair value, loans were gathered by homogeneous groups with similar terms and conditions and discounted at derived current market rates or rates at which similar loans would be made to borrowers as of December 31, 2001 and 2000, and June 30, 2000. The fair value of loans held for sale was determined based on quoted market prices for the intended delivery vehicle of those loans, generally agency mortgage-backed securities. In addition, when computing the estimated fair value for all loans, allowances for loan losses were subtracted from the calculated fair value for consideration of potential credit issues.

#### Federal Home Loan Bank Stock

The fair value of such stock approximates book value since the Corporation is able to redeem this stock with the Federal Home Loan Bank at par value.

#### Deposits

The fair value of savings deposits were determined as follows: (i) for passbook accounts, NOW checking accounts and market rate savings accounts, fair value is determined to approximate the carrying value (the amount payable on demand) since such deposits are primarily withdrawable immediately; (ii) for certificates of deposit, the fair value has been estimated by discounting expected future cash flows by derived current market rates offered on certificates of deposit with similar remaining maturities as of December 31, 2001 and 2000, and June 30, 2000. In accordance with the provisions of this statement, no value has been assigned to the Corporation's long-term relationships with its deposit customers (core value of deposits intangible) since such intangible is not a financial instrument as defined under this statement.

#### Advances From Federal Home Loan Bank

The fair value of these advances was estimated by discounting the expected future cash flows using current interest rates as of December 31, 2001 and 2000, and June 30, 2000, for advances with similar terms and remaining maturities.

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#### Other Borrowings

Included in other borrowings are subordinated extendible notes with carrying values of \$21,725,000 at December 31, 2001, and \$50,000,000 at December 31, 2000, and June 30, 2000. Also included in other borrowings are the guaranteed preferred beneficial interests in the Corporation's junior subordinated debentures totaling \$45,000,000 at December 31, 2001 and 2000, and June 30, 2000, and the subordinated debt securities for \$30,000,000 and junior subordinated debentures for \$20,000,000 at December 31, 2001. The fair value of such borrowings is based on quoted market prices or dealer quotes. The fair value of other borrowings, excluding the aforementioned borrowings, was estimated by discounting the expected future cash flows using derived interest rates approximating market as of December 31, 2001 and 2000, and June 30, 2000, over the contractual maturity of such other borrowings.

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### Derivative Financial Instruments

The fair value of the interest rate swap and floor agreements, obtained from market quotes from independent security brokers, is the estimated amount that would be paid to terminate the swap agreements and the estimated amount that would be received to terminate the floor agreements.

The fair value of commitments to originate, purchase, and sell residential mortgage loans was determined based on quoted market prices for forward purchases and sales of such product. The fair value of commitments to originate other loans was estimated by discounting anticipated future cash flows using the current market rates at which similar loans would be made to borrowers with similar credit ratings and for similar remaining maturities as of December 31, 2001 and 2000, and June 30, 2000.

### Limitations

It must be noted that fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments without attempting to estimate the value of anticipated future business, customer relationships and the value of assets and liabilities that are not considered financial instruments. These estimates do not reflect any premium or discount that could result from offering the Corporation's entire holdings of a particular financial instrument for sale at one time. Furthermore, since no market exists for certain of the Corporation's financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with a high level of precision. Changes in assumptions as well as tax considerations could significantly affect the estimates. Accordingly, based on the limitations described above, the aggregate fair value estimates as of December 31, 2001 and 2000, and June 30, 2000, are not intended to represent the underlying value of the Corporation, on either a going concern or a liquidation basis.

### Note 29. Current Accounting Pronouncements

On July 20, 2001, Statement of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS No. 141") was issued. This statement supercedes APB Opinion No. 16 "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be applied to all business combinations initiated after June 30, 2001. The use of the pooling-of-interests method is prohibited under this statement.

Also on July 20, 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142 which supercedes APB Opinion No. 17 "Intangible Assets." The provisions of SFAS No. 142 require that upon initial adoption, amortization of goodwill will cease, and the carrying value of goodwill will be evaluated for impairment at the initial implementation. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment under SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, or as of January 1, 2002, for the Corporation. At December 31, 2001, goodwill and core value of deposits totaled \$162,717,000 and \$28,733,000, respectively. Beginning January 1, 2002, goodwill will no longer be subject to

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amortization but will be evaluated at least annually for impairment. For calendar year 2002, goodwill totaling \$7,791,000, or approximately \$.16 per share, will not be amortized against current operations pursuant to this statement. Management of the Corporation has not completed its overall assessment of any additional effects of SFAS No. 142, and therefore has not determined the total effect that the initial adoption of this statement will have on the Corporation's financial position, liquidity or results of operations.

On August 16, 2001, the FASB issued Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). The provisions of this statement require entities to record the fair value of a liability for an asset retirement obligation in the period that it is incurred. When the liability is initially recorded, the entity will capitalize a cost by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the entity either settles the obligation for its recorded amount or incurs a gain or loss. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002, or as of January 1, 2003, for the Corporation. Management of the Corporation does not believe that this statement will have any material effect on the Corporation's financial position, liquidity or results of operations.

On October 3, 2001, the FASB issued Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144") that replaces SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This statement developed on accounting model, based on the provisions of SFAS No. 121, for long-lived assets to be disposed of by sale and addressed implementation issues arising from SFAS No. 121. The accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30 "Reporting Results of Operations--Reporting the Effects of Disposal of a Segment of a Business," for the disposal of segments of a business. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less costs to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS No. 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001, or as of January 1, 2002, for the Corporation. Provisions of this statement are generally to be applied prospectively. Management of the Corporation is currently evaluating the provisions of SFAS No. 144 but does not believe that this statement will have any material effect on the Corporation's financial position, liquidity or results of operations.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with accountants on accounting and financial disclosure.

### PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF COMMERCIAL FEDERAL CORPORATION

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The information under the section captioned "Proposal I--Election of Directors" in the Corporation's proxy statement for the 2001 Annual Meeting of Stockholders (the "Proxy Statement") contains information concerning the Board of Directors of the Corporation and is incorporated herein by reference.

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The executive officers of the Corporation and the Bank as of December 31, 2001, are as follows:

Name -----	Age at December 31, 2001 -----	Current Position(s) as of December 31, 2001 -----
William A. Fitzgerald	64	Chairman of the Board and Chief Executive Officer
Robert J. Hutchinson.	53	Director, President and Chief Operating Officer
David S. Fisher.....	45	Chief Financial Officer and Executive Vice President
Peter J. Purcell.....	42	Chief Information Officer and Executive Vice President

The principal occupation of each executive officer of the Corporation and the Bank for the last five years is set forth below:

William A. Fitzgerald--Chairman of the Board and Chief Executive Officer of the Corporation and the Bank. Mr. Fitzgerald joined Commercial Federal in 1955. He was named Vice President in 1968, Executive Vice President in 1973, President in 1974, Chief Executive Officer in 1983 and Chairman of the Board in 1994. Mr. Fitzgerald is well known in the banking community for his participation in numerous industry organizations, including the Federal Home Loan Bank Board, the Heartland Community Bankers, the Board of America's Community Bankers and the Board of Governors of the Federal Reserve System Thrift Institutions Advisory Council. Mr. Fitzgerald joined Commercial Federal's Board of Directors in 1973.

Robert J. Hutchinson--Director, President and Chief Operating Officer of the Corporation and the Bank. In April 2001, Mr. Hutchinson was appointed President and Chief Operating Officer of the Corporation and the Bank and, in May 2001, was named Director of both the Corporation and the Bank. Mr. Hutchinson served as Senior Vice President of the retail financial services division of Michigan National Bank. Prior to assuming responsibility for retail management in 1996, Mr. Hutchinson was Senior Vice President of Small Business Banking for Michigan National Bank, managing sales, credit management and back office operations for both small business and mortgage, as well as non-branch delivery. Before joining Michigan National Bank in 1994, Mr. Hutchinson was Senior Vice President in charge of New York branches for Chemical Bank. He also held progressively responsible product management and marketing positions with Chemical Bank and with manufacturers Hanover Trust prior to its merger with Chemical Bank in 1991.

David S. Fisher--Chief Financial Officer and Executive Vice President of the Corporation and the Bank. Mr. Fisher joined the Bank in June 2000. Mr. Fisher served as Senior Vice President and Treasurer of Associated Banc-Corp from May 1998 to May 2000 and was responsible for financial analysis and planning, investments, funding, asset/liability management, treasury and investment accounting functions. Previously, Mr. Fisher was Senior Vice President and director of funds management and bank investments at First of America Bank Corporation from 1988 to 1998.

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Peter J. Purcell--Chief Information Officer and Executive Vice President of the Corporation and the Bank. Mr. Purcell joined the Bank in December 2000. Prior to joining the Corporation, Mr. Purcell was a Vice President at NCR from April 1998 to May 2000. Before joining NCR, Mr. Purcell was President and Chief Executive Officer of the Retail Delivery and Card Services Division of First of America Bank Corporation. Mr. Purcell terminated employment on February 5, 2002.

### ITEM 11. EXECUTIVE COMPENSATION

The information under the section captioned "Proposal I--Election of Directors--Executive Compensation" in the Proxy Statement is incorporated herein by reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning beneficial owners of more than 5.0% of the Corporation's common stock and security ownership of the Corporation's management is included under the section captioned "Principal Stockholders" and "Proposal I--Election of Directors" in the Proxy Statement and is incorporated herein by reference.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference under the section captioned "Proposal I--Election of Directors" in the Proxy Statement.

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) The following documents are filed as part of this Report:

(1) Consolidated Financial Statements

- a Independent Auditors' Report
- b Consolidated Statement of Financial Condition at December 31, 2001 and 2000 and June 30, 2000
- c Consolidated Statement of Operations for the Year Ended December 31, 2001, the Six Months Ended December 31, 2000, and the Years Ended June 30, 2000 and 1999
- d Consolidated Statement of Comprehensive Income (Loss) for the Year Ended December 31, 2001, the Six Months Ended December 31, 2000, and the Years Ended June 30, 2000 and 1999
- e Consolidated Statement of Stockholders' Equity for the Year Ended December 31, 2001, the Six Months Ended December 31, 2000, and the Years Ended June 30, 2000 and 1999
- f Consolidated Statement of Cash Flows for the Year Ended December 31, 2001, the Six Months Ended December 31, 2000, and the Years Ended June 30, 2000 and 1999
- g Notes to Consolidated Financial Statements

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(2) Financial Statement Schedules:

All financial statement schedules have been omitted as the required information is not applicable, not required or is included in the consolidated financial statements or related notes included in Item 8 of this Report.

(3) Exhibits:

See "Index to Exhibits" of this Report.

(B) Reports on Form 8-K:

On November 9, 2001, the Corporation filed a Form 8-K regarding the October 30, 2001, announcement that the interest rate would remain the same at 7.95% on the Corporation's fixed-rate subordinated extendible notes due December 1, 2006. Contractual interest on these notes was set at 7.95% until December 1, 2001, and is paid monthly. This interest rate exceeds 105% of the effective interest rate on comparable maturity U.S. Treasury obligations, as defined in the Indenture, and will remain effective until December 1, 2004.

On December 14, 2001, the Corporation filed a Form 8-K regarding the December 13, 2001, announcement that its 2001 earnings would exceed previous consensus estimates. The Corporation also projected 2002 earnings per share of more than \$2.00 per share, or approximately \$2.16 per share considering the impact of SFAS No. 142 on the cessation of goodwill amortization.

(C) Exhibits to this Form 10-K are filed or incorporated by reference as listed in the "Index to Exhibits" of this Report.

(D) No financial statement schedules required by Regulation S-X are filed, and as such are excluded from the Annual Report as provided by Exchange Act Rule 14a-3(b)(i).

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

COMMERCIAL FEDERAL CORPORATION

Date: March 29, 2002 By: /s/ WILLIAM A. FITZGERALD

-----  
William A. Fitzgerald  
Chairman of the Board  
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and as of the date indicated.

Signature	Title	Date
-----	-----	-----
/s/ William A. Fitzgerald -----	Principal Executive Officer	March 29, 2002



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William A. Fitzgerald  
 Chairman of the Board and  
 Chief Executive Officer

/s/ David S. Fisher                      Principal Financial Officer      March 29, 2002  
 -----

David S. Fisher  
 Executive Vice President  
 and Chief Financial Officer

/s/ GARY L. MATTER                      Principal Accounting Officer      March 29, 2002  
 -----

Gary L. Matter  
 Senior Vice President,  
 Controller and Secretary

/s/ ROBERT J. HUTCHINSON              Director                              March 29, 2002  
 -----

Robert J. Hutchinson  
 President and Chief Operating  
 Officer

/s/ TALTON K. ANDERSON              Director                              March 29, 2002  
 -----

Talton K. Anderson

/s/ MICHAEL P. GLINSKY              Director                              March 29, 2002  
 -----

Michael P. Glinsky

/s/ ROBERT F. KROHN                  Director                              March 29, 2002  
 -----

Robert F. Krohn

/s/ CARL G. MAMMEL                  Director                              March 29, 2002  
 -----

Carl G. Mammel

/s/ JAMES P. O'DONNELL              Director                              March 29, 2002  
 -----

James P. O'Donnell

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Signature                                      Title                                      Date  
 -----

/s/ ROBERT D. TAYLOR                  Director                              March 29, 2002  
 -----

Robert D. Taylor

/s/ ALDO J. TESI                          Director                              March 29, 2002  
 -----

Aldo J. Tesi

/s/ JOSEPH J. WHITESIDE              Director                              March 29, 2002  
 -----

Joseph J. Whiteside

/s/ GEORGE R. ZOFFINGER              Director                              March 29, 2002

-----  
George R. Zoffinger

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INDEX TO EXHIBITS

Exhibit Number	Identity of Exhibits
-----	-----
3.1	Articles of Incorporation of Registrant, as amended and restated (incorporated by reference to Registrant's Current Report on Form 8-K dated July 3, 1998)
3.2	Bylaws of Registrant, as Amended and Restated (incorporated by reference to the Registrant's Current Report on Form 8-K dated May 7, 2001)
4.1	Form of Certificate of Common Stock of Registrant (incorporated by reference to the Registrant's Form S-1 Registration Statement No. 33-00330)
4.2	Shareholder Rights Agreement between Commercial Federal Corporation and Harris Trust and Savings Bank, as amended (incorporated by reference to the Registrant's Form 10-Q Quarterly Report for the Quarterly Period Ended September 30, 1998)
4.3	The Corporation hereby agrees to furnish upon request to the Securities and Exchange Commission a copy of each instrument defining the rights of holders of the Cumulative Trust Preferred Stock and the Subordinated Extendible Notes of the Corporation.
10.1	Employment Agreement with William A. Fitzgerald dated June 8, 1995 (incorporated by reference to the Registrant's Form S-4 Registration Statement No. 33-60589)
10.2	Change of Control Executive Severance Agreement with William A. Fitzgerald dated June 8, 1995 (incorporated by reference to the Registrant's Form S-4 Registration Statement No. 33-60589)
10.4	Form of Change in Control Executive Severance Agreements entered into with Executive Vice Presidents, Senior Vice Presidents and First Vice Presidents (incorporated by reference to the Registrant's Form S-4 Registration Statement No. 33-60589)
10.5	Commercial Federal Corporation Incentive Plan Effective July 1, 1994 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 1994--File No. 0-13082)
10.6	Commercial Federal Corporation Deferred Compensation Plan Effective July 1, 1994 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 1994--File No. 0-13082)
10.7	Commercial Federal Corporation 1984 Stock Option and Incentive Plan, as Amended and Restated Effective August 1, 1992 (incorporated by reference to the Registrant's Form S-8 Registration Statement No. 33-60448)
10.8	Employment Agreement with William A. Fitzgerald, dated May 15, 1974, as Amended February 1996 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 1996--File No. 1-11515)
10.9	Commercial Federal Savings and Loan Association Survivor Income Plan, as Amended February 1996 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 1996--File No. 1-11515)

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Ended June 30, 1996--File No. 1-11515)

- 10.10 Commercial Federal Corporation 1996 Stock Option and Incentive Plan as Amended (incorporated by reference to the Registrant's Form S-8 Registration Statement Nos. 333-20739 and 333-5
- 10.11 Railroad Financial Corporation 1994 Stock Option and Incentive Plan, Railroad Financial Corporation 1991 Directors' Stock Option Plan and Railroad Financial Corporation 1986 Stock Option and Incentive Plan, as Amended February 22, 1991 (incorporated by reference to the Registrant's Form S-8 Registration Statement No. 33-63221 and Post-Effective Amendment No. 33-01333 and No. 33-10396)
- 10.12 Railroad Financial Corporation 1994 Stock Option and Incentive Plan (incorporated by reference to the Registrant's Form S-8 Registration Statement No. 33-63629)

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Exhibit

Number Identity of Exhibits

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- 10.13 Mid Continent Bancshares, Inc. 1994 Stock Option Plan (incorporated by reference to the Registrant's Post-Effective Amendment No. 1 to Form S-4 under cover of Form S-8--File No. 333-42817)
- 10.14 Perpetual Midwest Financial, Inc. 1993 Stock Option and Incentive Plan (incorporated by reference to the Registrant's Post-Effective Amendment No. 1 to Form S-4 under cover of Form S-8--File No. 333-45613)
- 10.15 First Colorado Bancorp, Inc. 1992 Stock Option Plan and First Colorado Bancorp, Inc. 1996 Stock Option Plan (incorporated by reference to the Registrant's Post-Effective Amendment No. 1 to Form S-4 under cover of Form S-8--File No. 333-49967)
- 10.15 Commercial Federal 401(k) Plan for Acquired Companies (incorporated by reference to the Registrant's Form S-8 Registration Statement No. 333-91065)
- 10.16 Change of Control Executive Severance Agreement with David S. Fisher dated June 23, 2000 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 2000--File No. 1-11515)
- 10.17 Separation, Waiver and Release Agreement with James A. Laphen dated June 8, 2000 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 2000--File No. 1-11515)
- 10.18 Retirement, Waiver and Release Agreement with Gary D. White dated August 24, 2000 (incorporated by reference to the Registrant's Form 10-K Annual Report for the Fiscal Year Ended June 30, 2000--File No. 1-11515)
- 10.19 Change of Control Executive Severance Agreement with Peter J. Purcell dated June 1, 2001 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2001--File No. 1-11515)
- 10.20 Change of Control Executive Severance Agreement with Robert J. Hutchinson dated June 1, 2001 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2001--File No. 1-11515)
- 10.21 Offer of Employment Agreement with Robert J. Hutchinson dated April 18, 2001 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the Quarterly Period Ended June 30, 2001--File No. 1-11515)

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reference to the Registrant's Quarterly Report on Form 10-Q for the Quarterly Period Ended  
2001--File No. 1-11515)

- 10.22 Separation, Waiver and Release Agreement with Peter J. Purcell dated February 5, 2002 (filed  
herewith)
- 21 Subsidiaries of the Corporation (filed herewith)
- 22 Consent of Independent Auditors (filed herewith)